This summary aims to give you an overview of the information contained in this listing document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire listing document before you decide to invest in our Class A ordinary shares.

There are risks associated with any investment. Some of the particular risks in investing in our Class A ordinary share are set out in the section headed "Risk Factors" in this listing document. You should read that section carefully before you decide to invest in our Class A ordinary share.

OVERVIEW

We are the largest online music entertainment platform in China in terms of MAU, according to iResearch, with 604 million online music mobile MAUs and 162 million social entertainment mobile MAUs in the first quarter of 2022. We operate four major product brands—*QQ Music*, *Kugou Music, Kuwo Music* and *WeSing*—through which we provide online music and social entertainment services to address the diverse music entertainment needs of a massive audience in China. We also offer *Lazy Audio*, our dedicated long-form audio app as an effective complement to our flagship music-centric product portfolio. We derive our revenues from (i) online music services and (ii) social entertainment services and others. Revenues for online music services are generated primarily from paid music and audio through sale of subscription packages for a fixed monthly fee, whereas revenues for social entertainment services and others are generated through live streaming, online karaoke, sales of music-related merchandise and certain other services.

WHO WE ARE

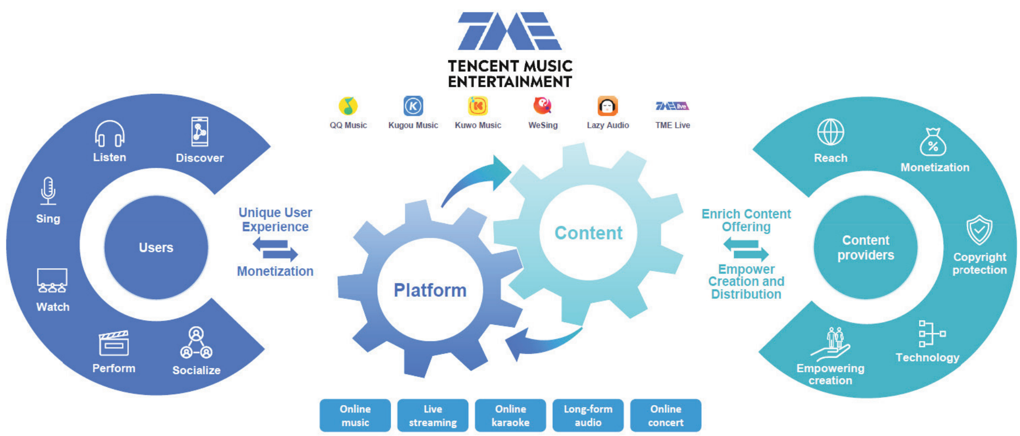
Music is a universal passion. No matter who we are, where we come from, we all have our favorite songs, albums or artists. Music enriches our lives by reaching us in deeply personal ways and connecting us with each other through engaging, social and fun experiences. We are pioneering the way people enjoy online music and music-centric social entertainment services.

We offer an all-in-one online entertainment experience for people to discover, listen, sing, watch, perform and socialize around music. To bring a more diversified experience to our users, we have also expanded our platform to offer long-form audio services. We believe music and audio content can deliver experiences that are visual, immersive, interactive, socially engaging and fun.

Just as we value our users, we also respect those who create content. This is why we champion copyright protection and work relentlessly to support our content partners with broad audience outreach and valuable resources and technology. Through years of efforts, we help promote a more sustainable music entertainment industry in China. Our scale, technology, commitment to copyright protection, and ability to promote original works have made us a preferred partner for musicians and content owners.

Today, we are the largest online music entertainment platform in China in terms of MAU, according to iResearch, with 604 million online music mobile MAUs and 162 million social entertainment mobile MAUs in the first quarter of 2022. We also had China's largest music content library as of March 31, 2022 in terms of number of tracks, according to iResearch.

WHAT WE OFFER ON OUR PLATFORM



The TME platform is an all-in-one music and audio entertainment destination that allows users to seamlessly engage with a broad range of music and audio content in many ways, including discovering, listening, singing, watching, performing and socializing. We adopt a dual engine content-and-platform strategy to constantly enrich content offerings on our platform, while empowering content creation and distribution and delivering a compelling user experience. Through our vibrant community, technologies, and visual and interactive features, we enhance our user experience, engagement and retention.

- **Online music services**, primarily our ***QQ Music***, ***Kugou Music*** and ***Kuwo Music***, enable users to discover, enjoy and share music in personalized ways. We provide a broad range of features for music discovery, including smart recommendations, music ranking charts, playlists, official music accounts and digital releases. We also offer comprehensive long-form audio content including audiobooks, podcasts and talk shows, as well as music-oriented video content including music videos, live performances and short videos.

- **Social entertainment services** allow our users to sing, watch and socialize on our platform. We deliver online karaoke services primarily through ***WeSing***, which enables users to sing along from our vast library of karaoke songs and share their performances either in audio or video formats with friends. We also deliver music-centric live streaming services primarily through the "Live Streaming" tab on ***QQ Music***, ***Kugou Music***, ***Kuwo Music***, ***WeSing***, ***Kugou Live*** and ***Kuwo Live***, providing an interactive online stage for performers and users to showcase their talent and engage with a diverse audience base.

Our revenues increased from RMB25.4 billion in 2019 to RMB29.2 billion in 2020 to RMB31.2 billion in 2021, and we recorded revenues of RMB6.6 billion (US$1.0 billion) in the first quarter of 2022. We achieved a net profit of RMB4.0 billion in 2019, RMB4.2 billion in 2020, RMB3.2 billion in 2021 and RMB0.6 billion (US$0.1 billion) in first quarter of 2022.

OUR STRENGTHS

We believe the following strengths differentiate us from our competitors:

- Leading Platform Creating Value for China's Music Entertainment Industry
- All-in-one Online Music Entertainment Destination
- Cohesive Content Ecosystem
- Proven Monetization Capabilities
- Innovative Technology
- Strong Management Team

OUR STRATEGIES

We plan to execute the following strategies to fulfill our mission:

- Continue Product Innovations
- Enrich Content Offerings
- Remain as A Preferred Partner
- Strengthen Monetization Capabilities

OUR CUSTOMERS AND SUPPLIERS

Our customers are mainly individual paying users that purchase online music and/or social entertainment services on our platform. As a result, we do not have any material concentration in customers. Our top five customers accounted for less than 10% of our total revenues for each of the years ended December 31, 2019, 2020 and 2021 and for the three months ended March 31, 2022.

Our suppliers mainly include copyright owners, live streaming hosts (including their talent agencies), technology service providers and other service providers from whom we procure copyrighted content, live streaming services, technology services and other services. We do not have any material concentration in suppliers. Our top five suppliers accounted for less than 30% of our purchases for each of the years ended December 31, 2019, 2020 and 2021 and for the three months ended March 31, 2022, and none of them individually accounted for more than 10% of our purchases for each of such periods.

OUR MONETIZATION MODEL

We derive our revenues from (i) online music services and (ii) social entertainment services and others.

Over the years, as we continued to improve the content library, product features and user experience of our online music services continued to scale, we have been able to grow our paying ratios and revenues for our online music services, thereby creating long-term value for our content partners and China's music industry as a whole. Meanwhile, we also continued to develop our social entertainment services which currently still generate a majority portion of our total revenues. This is because users in China historically had a relatively lower willingness to pay for online music services as compared with more developed markets, and therefore we, in the past, mainly focused on providing attractive music content and functionalities for our online music services, with a view towards gradually cultivating users' habits and willingness to pay in the long term. Compared to online music services, our social entertainment services provide more opportunities for user interactions and thus lead to more paid consumption scenarios that allow users to pay (e.g., through purchasing and sending virtual gifts). This resulted in social entertainment services accounting for a majority portion of our total revenues during the Track Record Period. In the foreseeable future, we will continue to drive the paying user conversion and revenues of our online music services as the more important contributor to the overall monetization of our platform in the long term. In the meantime, we will also endeavor to maintain the competitiveness of our social entertainment services to improve our overall financial performance going forward.

- *Online music services*. We generate revenues from our online music services primarily from subscriptions, namely from paid music and audio through sale of subscription packages for a fixed monthly fee. In addition, we also generate revenues from: (i) offering display and performance-based advertising solutions on our platform; (ii) selling digital music singles and albums to users on our platform; (iii) providing various other music and long-form audio-related services, such as providing integrated and technology-driven music solutions to smart device and automobile manufacturers; and (iv) sublicensing music content licensed from content providers to other online music platforms and other third parties.
- *Social entertainment services and others*. We generate our social entertainment and other services revenues through live streaming, online karaoke, sales of music-related merchandise and certain other services. For live streaming and online karaoke services, we generate revenues primarily through sales of virtual gifts, and a small portion of the revenues is also generated from offering display and performance-based advertising solutions on our platform and selling premium memberships to our users. In addition, we generate a small portion of revenues through the sales of music-related merchandise including headsets, smart speakers and other hardware products.

The following table sets forth a breakdown of our revenues, in absolute amounts and as percentages of total revenues, for the periods indicated.

	For the Year Ended December 31,						For the Three Months Ended March 31,				
	2019		2020		2021		2021		2022		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(in millions, except for percentages)										
							(unaudited)				
Revenues											
Online music services	7,152	28.1	9,349	32.1	11,467	36.7	2,749	35.1	2,616	413	39.4
Social entertainment services and others	18,282	71.9	19,804	67.9	19,777	63.3	5,075	64.9	4,028	635	60.6
Total revenues	**25,434**	**100.0**	**29,153**	**100.0**	**31,244**	**100.0**	**7,824**	**100.0**	**6,644**	**1,048**	**100.0**

Our revenues generated from online music services steadily increased from 2019 to 2021, driven by our continuous efforts in improving content, product features and user experience. Our online music paying users had more than doubled from 33.7 million in 2019 to 68.6 million in 2021 and increased significantly from 60.9 million in the three months ended March 31, 2021 to 80.2 million in the three months ended March 31, 2022, demonstrating our success in cultivating users' willingness to pay for quality music content and creating long-term value for content creators and China's music industry as a whole. Our online music services revenue slightly decreased by 4.8% from RMB2,749 million in the three months ended March 31, 2021 to RMB2,616 million (US$413 million) in the same period in 2022, mainly due to a decrease in advertising revenues and, to a lesser extent, a decrease in sublicensing revenues as a result of restructuring of agreements with certain music labels. The decrease in advertising revenues were mainly due to the regulatory restrictions on advertising format and downturn in market and economic conditions amid the resurgence of the COVID-19 in some major cities in China. Specifically, since the second half of 2021, the MIIT has launched a series of regulatory campaigns which imposed certain restrictions on splash ads in order to improve user experience on online platforms, including restricting the use of splash ads to redirect user traffic and allowing users to skip splash ads. Such restrictions have generally compromised advertising effectiveness of splash ads on China's online platforms, which in turn led to a decrease in our advertising revenues. During such periods, our subscription revenues still recorded a strong growth of 17.8% from RMB1,692 million in the three months ended March 31, 2021 to RMB1,993 million (US$314 million) in the same period in 2022, which was driven by a strong increase in the number of paying users by 31.7%. For information about the impact of termination of exclusivity on our sublicensing revenue, see "— Recent PRC Regulatory Developments — Anti-Monopoly Law Enforcement."

Our revenues generated from social entertainment services and others increased by 8.3% from RMB18,282 million in 2019 to RMB19,804 million in 2020, primarily driven by the growth in revenues from our online karaoke services, as well as live streaming services. Our revenues generated from social entertainment services and others experienced year-over-year decrease in 2021 and in the three months ended March 31, 2022, mainly due to increased market competition and weakened macroeconomic environment that had negatively impacted our users' consumption on our platform. China's music-centric social entertainment services market in which we operate is rapidly evolving and increasingly intensified. In recent years, China's music-centric social entertainment services market has been characterized by changing user needs and preferences, increasing competition, and heightened regulations. In particular, we are facing increased competition from not only other online music platforms but also providers of new content formats, such as audio and short-form videos, which has and is expected to continue to, put pressure on our short-term growth in terms of the overall user base and monetization of our social entertainment services. For further details, see "Industry Overview — China Music-Centric Social Entertainment Services Market Overview — Competitive Landscape," and "Industry Overview — China Music-Centric Social Entertainment Services Market Overview — Emerging Trends, Challenges & Opportunities in China's Music-Centric Social Entertainment Services Market."

For additional information, see the section headed "Financial Information."

KEY OPERATING METRICS

The following tables set forth our key operating metrics for the periods presented:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
Mobile MAUs[(1)] (in millions)					
Online music services	653	644	622	615	604
Social entertainment services	240	240	203	224	162
Paying users[(1)] (in millions)					
Online music services	33.7	49.4	68.6	60.9	80.2
Social entertainment services	11.6	11.7	10.3	11.3	8.3
Monthly ARPPU[(1)] (RMB)					
Online music services[(2)]	8.8	9.4	8.9	9.3	8.3
Social entertainment services[(3)]	131.3	141.1	160.0	149.7	161.8

Notes:

(1) For definitions, see "Glossary of Technical Terms."

(2) The revenues used to calculate the monthly ARPPU of online music services include revenues from subscriptions only. The revenues from subscriptions for the periods indicated were RMB3,563 million, RMB5,560 million, RMB7,333 million, RMB1,692 million and RMB1,993 million (US$314 million), respectively.

(3) The revenues used to calculate the monthly ARPPU of social entertainment services include revenues from social entertainment and others, including advertising services provided on our social entertainment platforms.

For online music services, we continued to strengthen the engagement of our core user base by enhancing original content production, expanding and diversifying music content library, and launching innovative product features. These efforts led to a continued increase in the number of paying users over time during the Track Record Period. We experienced a gradual decrease in our already-massive base of mobile MAUs during the Track Record Period, primarily due to churn of our users. As advised by iResearch, it is normal that once an online platform reaches a substantial scale, some users could from time to time be drawn to other forms, content and services of online music and entertainment as a result of increasingly intensified competition from other platforms. Our historical loss of mobile MAUs was mainly due to increasing competition within the online music and entertainment industry as users may be constantly looking for new content, product formats and diversified user experiences. In addition to evolving competition dynamics among platforms, the churn of users on a scaled platform is a common industry phenomenon faced by all key players in China's online music market, according to iResearch. In light of intensified competition, at the current stage, we place more emphasis on the quality of the growth of our online music services (in terms of paying ratio and paying users) than the growth rate of our overall user base. We believe that what distinguishes us from our peers is our monetization potential, capability and proven track record, which are largely manifest in our ability to continuously increase our number of paying users who are willing to pay for high-quality music content on a subscription basis.

For social entertainment services, we experienced a decrease in mobile MAUs and paying users of our social entertainment services during the Track Record Period, primarily due to increased market competition. Going forward, we will continue to improve our competitiveness through ongoing product innovations and new initiatives in social entertainment, such as audio live streaming and virtual interactive product offerings.

For more details regarding our key operating metrics, see "Financial Information – Major Factors Affecting Our Results of Operations – Specific Factors Affecting Our Results of Operations."

SUMMARY OF HISTORIC FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information for the Track Record Period and as of the applicable period ends, extracted from the Accountant's Report of our Company, the text of which is set out in Appendix IA to this listing document. The summary consolidated financial information set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this listing document, including the related notes, as well as the section headed "Financial Information." Our consolidated financial information was prepared in accordance with IFRS.

Summary Consolidated Results of Operations

	For the Year Ended December 31,						For the Three Months Ended March 31,				
	2019		2020		2021		2021		2022		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(in millions, except for percentages)										
							(unaudited)				
Revenues											
Online music services	7,152	28.1	9,349	32.1	11,467	36.7	2,749	35.1	2,616	413	39.4
Social entertainment services and others	18,282	71.9	19,804	67.9	19,777	63.3	5,075	64.9	4,028	635	60.6
Total revenues	**25,434**	**100.0**	**29,153**	**100.0**	**31,244**	**100.0**	**7,824**	**100.0**	**6,644**	**1,048**	**100.0**
Cost of revenues[(1)(3)]	**(16,761)**	**(65.9)**	**(19,851)**	**(68.1)**	**(21,840)**	**(69.9)**	**(5,358)**	**(68.5)**	**(4,784)**	**(755)**	**(72.0)**
Gross profit	8,673	34.1	9,302	31.9	9,404	30.1	2,466	31.5	1,860	293	28.0
Operating expenses											
Selling and marketing expenses[(1)]	(2,041)	(8.0)	(2,475)	(8.5)	(2,678)	(8.6)	(672)	(8.6)	(330)	(52)	(5.0)
General and administrative expenses[(1)]	(2,703)	(10.6)	(3,101)	(10.6)	(4,009)	(12.8)	(883)	(11.3)	(1,012)	(160)	(15.2)
Total operating expenses	**(4,744)**	**(18.7)**	**(5,576)**	**(19.1)**	**(6,687)**	**(21.4)**	**(1,555)**	**(19.9)**	**(1,342)**	**(212)**	**(20.2)**
Interest income	615	2.4	622	2.1	530	1.7	154	2.0	150	24	2.3
Other gains, net	78	0.3	362	1.2	553	1.8	99	1.3	81	13	1.2
Operating profit	**4,622**	**18.2**	**4,710**	**16.2**	**3,800**	**12.2**	**1,164**	**14.9**	**749**	**118**	**11.3**
Share of net (loss)/profit of investments accounted for using equity method	(18)	(0.1)	19	0.1	(47)	(0.2)	(27)	(0.3)	20	3	0.3
Finance cost[(2)]	(64)	(0.3)	(97)	(0.3)	(121)	(0.4)	(31)	(0.4)	(30)	(5)	(0.5)
Profit before income tax	**4,540**	**17.9**	**4,632**	**15.9**	**3,632**	**11.6**	**1,106**	**14.1**	**739**	**117**	**11.1**
Income tax expense	(563)	(2.2)	(456)	(1.6)	(417)	(1.3)	(127)	(1.6)	(90)	(14)	(1.4)
Profit for the year/period	**3,977**	**15.6**	**4,176**	**14.3**	**3,215**	**10.3**	**979**	**12.5**	**649**	**102**	**9.8**
Attributable to:											
Equity holders of the Company	3,982	15.7	4,155	14.3	3,029	9.7	926	11.8	609	96	9.2
Non-controlling interests	(5)	0.0	21	0.1	186	0.6	53	0.7	40	6	0.6
	3,977	**15.6**	**4,176**	**14.3**	**3,215**	**10.3**	**979**	**12.5**	**649**	**102**	**9.8**

Notes:

(1) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,			For the Three Months Ended March 31,		
	2019	2020	2021	2021	2022	
	RMB	RMB	RMB	RMB	RMB	US$
	(in millions)					
				(unaudited)		
Cost of revenues	41	41	56	12	16	3
Selling and marketing expenses	12	24	31	8	9	1
General and administrative expenses	466	504	665	142	164	26
Total	**519**	**569**	**752**	**162**	**189**	**30**

(2) Finance cost mainly comprises of interest on notes we issued and lease liabilities.

(3) Components of our cost of revenues, in absolute amounts and as percentages of total cost of revenues, were as follows:

	For the Year Ended December 31,						For the Three Months Ended March 31,				
	2019		2020		2021		2021		2022		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US$	%
	(in millions, except for percentages)										
							(unaudited)				
Cost of revenues											
Service costs	14,967	89.3	17,478	88.0	18,992	87.0	4,673	87.2	4,114	649	86.0
Other cost of revenues	1,794	10.7	2,373	12.0	2,848	13.0	685	12.8	670	106	14.0
Total cost of revenues	**16,761**	**100.0**	**19,851**	**100.0**	**21,840**	**100.0**	**5,358**	**100.0**	**4,784**	**755**	**100.0**

Our profit for the year increased from RMB3,977 million in 2019 to RMB4,176 million in 2020, primarily due to rapid growth of our revenues generated from both online music services and social entertainment services and others. Our profit for the year subsequently decreased to RMB3,215 million in 2021 mainly because the increase in cost of revenues and operating expenses, particularly research and development expenses to enhance our competitive advantages in product and technology innovations, outpaced our overall revenue growth during the period. For details, see "Financial Information — Period-to-Period Comparison of Results of Operations — Year Ended December 31, 2021 Compared to Year Ended December 31, 2020." Our profit for the period decreased from RMB979 million in the three months ended March 31, 2021 to RMB649 million (US$102 million) for the same period in 2022, attributable primarily to the decreased revenues and the increase in research and development expenses.

Our revenues decreased by 15.1% from RMB7,824 million in the three months ended March 31, 2021 to RMB6,644 million (US$1,048 million) in the same period in 2022. With respect to online music services, revenues generated from advertising experienced a decline due to the regulatory restrictions on advertising format and downturn in market and economic conditions amid the resurgence of the COVID-19 in some major cities in China. Sublicensing revenues also decreased due to restructuring of agreements with certain music labels. With respect to social entertainment services and others, the decrease in revenues was mainly due to the impact of increased market competition. For details regarding market competition we are faced with, see "Financial Information — Period-to-Period Comparison of Results of Operations — Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021," and "Industry Overview — China Music-Centric Social Entertainment Services Market Overview — Emerging Trends, Challenges & Opportunities in China's Music-Centric Social Entertainment Services Market."

Our gross margin decreased from 31.9% in 2020 to 30.1% in 2021. This decrease was mainly attributable to the increase in content costs related to our social entertainment services and the increased investments in new product and content offerings, including upfront investments in long-form audio and other content which were still at early monetization stages. Our gross margin decreased from 31.5% in the three months ended March 31, 2021 to 28.0% in the same period in 2022, primarily because the decrease in our total revenues outpaced the decrease in our total cost of revenues as a major portion of our total cost of revenues did not decrease in proportion to revenue decrease. Specifically, certain content sourcing costs (e.g., content royalties that were prepaid to music labels the amount of which was not directly and entirely linked to revenue), labor costs (mainly tied to employee headcounts which did not materially change over the relevant period) and costs incurred to support and maintain our IT infrastructure (e.g., bandwidth costs of a fixed nature relative to changes in revenue) did not decrease in proportion to revenue decrease. As such, our total revenues decreased by 15.1% from the three months ended March 31, 2021 to the same period of 2022, whereas our total cost of revenues decreased only by 10.7% during the same period.

For more details regarding our results of operations during the Track Record Period, see "Financial Information — Period-to-Period Comparison of Results of Operations."

Selected Consolidated Balance Sheets

The table below sets forth our selected consolidated balance sheet data as of the dates indicated:

	As of December 31,			As of March 31,	
	2019	2020	2021	2022	
	RMB	RMB	RMB	RMB	US$
	(in millions)				
Current assets:					
Inventories	26	18	24	23	4
Accounts receivable	2,198	2,800	3,610	2,513	396
Prepayments, deposits and other assets	2,220	2,846	2,731	2,690	424
Other investments	38	37	37	37	6
Short-term investments	6	—	1,029	1,088	172
Term deposits	7,000	14,858	12,769	10,556	1,665
Cash and cash equivalents	15,426	11,128	6,591	8,353	1,318
Total current assets	**26,914**	**31,687**	**26,791**	**25,260**	**3,985**
Non-current assets:					
Property, plant and equipment	179	176	243	247	39
Land use rights	—	—	1,495	2,535	400
Right-of-use assets	148	311	283	268	42
Intangible assets	1,622	2,020	2,829	2,692	425
Goodwill	17,140	17,492	19,121	19,126	3,017
Investments accounted for using equity method	489	2,255	3,599	3,652	576
Financial assets at fair value through other comprehensive income	4,461	9,771	7,302	4,904	774
Other investments	217	349	199	348	55
Prepayments, deposits and other assets	816	956	743	675	106
Deferred tax assets	192	303	346	357	56
Term deposits	500	2,953	4,303	5,933	936
Total non-current assets	**25,764**	**36,586**	**40,463**	**40,737**	**6,426**
Equity:					
Equity attributable to equity holders of the Company	43,590	52,245	50,317	48,432	7,640
Non-controlling interests	88	486	738	789	124
Total equity	**43,678**	**52,731**	**51,055**	**49,221**	**7,764**
Current liabilities:					
Accounts payable	2,559	3,565	4,329	5,179	817
Other payables and other liabilities	3,782	3,881	3,832	3,500	552
Current tax liabilities	386	445	363	425	67
Lease liabilities	69	103	92	86	14
Deferred revenue	1,694	1,608	1,834	1,872	295
Total current liabilities	**8,490**	**9,602**	**10,450**	**11,062**	**1,745**

	As of December 31,			As of March 31,	
	2019	2020	2021	2022	
	RMB	RMB	RMB	RMB	US$
	(in millions)				
Non-current liabilities:					
Notes payable	—	5,175	5,062	5,041	795
Accounts payable	—	136	93	93	15
Other payables and other liabilities	68	68	32	22	3
Deferred tax liabilities	297	265	271	254	40
Lease liabilities	78	218	205	199	31
Deferred revenue	67	78	86	105	17
Total non-current liabilities	**510**	**5,940**	**5,749**	**5,714**	**901**
Net current assets	**18,424**	**22,085**	**16,341**	**14,198**	**2,240**

We experienced fluctuations in our net current assets during the Track Record Period. Our net current assets increased from RMB18,424 million as of December 31, 2019 to RMB22,085 million as of December 31, 2020, primarily attributable to the increased term deposits. Our net current assets decreased from RMB22,085 million as of December 31, 2020 to RMB16,341 million as of December 31, 2021, mainly due to the decreased cash and cash equivalents as a result of payments for share repurchases in accordance with our share repurchase program and placement of non-current term deposits. Our net current assets further decreased to RMB14,198 million (US$2,240 million) as of March 31, 2022, primarily due to placement of non-current term deposits. For more details regarding changes in our key items of current assets and current liabilities, see "Financial Information — Working Capital."

Our net assets increased from RMB43,678 million as of December 31, 2019 to RMB52,731 million as of December 31, 2020, attributable primarily to the increase in fair value of our financial assets at fair value through other comprehensive income as well as our profit for the year of 2020. Our net assets subsequently decreased to RMB51,055 million as of December 31, 2021, mainly due to our share repurchases and negative changes in fair value of our financial assets at fair value through other comprehensive income during the period. Our net assets further decreased to RMB49,221 million (US$7,764 million) as of March 31, 2022 primarily as a result of negative changes in fair value of our financial assets at fair value through other comprehensive income. For more details regarding movement of our net assets throughout the Track Record Period, see the section headed "Consolidated Statements of Changes in Equity" of the Accountant's Report of our Company, the text of which is set out in Appendix IA to this listing document.

During the Track Record Period, we had significant amount of goodwill, which arose primarily from the acquisitions we made as part of effort to expand our business. These acquisitions mainly include our acquisition of CMC in 2016, a long-form audio company in 2021 and certain music contents and other music related businesses from time to time. Our goodwill amounted to RMB17,140 million, RMB17,492 million, RMB19,121 million and RMB19,126 million (US$3,017 million) as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. For further information, see "Financial Information — Discussion of Certain Key Balance Sheet Items — Goodwill," and "Risk Factors — Risks Related to Our Business and Industry — We may face impairment risks in connection with our goodwill and other intangible assets."

Selected Consolidated Cash Flow Data

	For the Year Ended December 31,			For the Three Months Ended March 31,		
	2019	2020	2021	2021	2022	
	RMB	RMB	RMB	RMB	RMB	US$
	(in millions)					
				(unaudited)		
Net cash generated from operating activities	6,200	4,885	5,239	1,878	2,494	393
Net cash used in investing activities	(8,102)	(14,206)	(5,999)	(2,382)	(329)	(52)
Net cash (used in)/generated from financing activities	(31)	5,292	(3,710)	(372)	(395)	(62)
Net (decrease)/increase in cash and cash equivalents	(1,933)	(4,029)	(4,470)	(876)	1,770	279
Cash and cash equivalents at beginning of the year/period	**17,356**	**15,426**	**11,128**	**11,128**	**6,591**	**1,040**
Exchange differences on cash and cash equivalents	3	(269)	(67)	22	(8)	(1)
Cash and cash equivalents at end of the year/period	**15,426**	**11,128**	**6,591**	**10,274**	**8,353**	**1,318**

Our principal sources of liquidity have been cash generated from operating activities. For more details, see "Financial Information — Liquidity and Capital Resources."

COMPETITIVE LANDSCAPE

We are the largest online music entertainment platform in China in terms of MAU, according to iResearch, with 604 million online music mobile MAUs and 162 million social entertainment mobile MAUs in the first quarter of 2022. We also had China's largest music content library as of March 31, 2022 in terms of number of tracks, according to iResearch.

We operate in a dynamic and evolving industry characterized by constant technological advancements, changing user preferences and needs, evolving regulatory environments, and new product and service innovations. Users are constantly moving, and are expected to continue to move, from one platform to another looking for new or favorite content, product features, and diversified user experiences. In recent years, China's online music services and music-centric social entertainment services markets, the two main markets in which we operate, have both witnessed increased competition. Specifically, our online music services have faced increased competition for users and their time and attention from not only other online music providers but also providers of new, emerging formats of online music and entertainment content. Amid such increasingly intense competition, leading market players including us are beginning to place more emphasis on the quality of growth in terms of user engagement and willingness to pay, rather than merely focusing on driving the size of their overall user bases measured by MAUs. In the music-centric social entertainment services market, the increased competition from providers of new content formats has also driven many platforms including us to devote more resources to diversifying content offerings (including video content) and exploring new monetization strategies in order to meet changing user preferences and remain competitive. Accordingly, the dynamic competitive landscape has, and is expected to continue to, put pressure on our short-term growth in terms of the overall user base and monetization of our social entertainment services. See "Risk Factors — Risks Related to Our Business and Industry — We operate in a competitive industry. If we are unable to compete successfully, we may lose market share to our competitors." For a detailed discussion of our industry and competitive landscapes, see "Industry Overview." The increased market competition in part contributed to the fluctuations in certain of our key operating metrics during the Track Record Period and was a major reason to the decrease in our revenues generated from social entertainment services and others in the three months ended March 31, 2022 as compared to the same period in 2021. See " — Our Monetization Model" and " — Key Operating Metrics."

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Our Major Shareholders and Relationship with Controlling Shareholders

Without taking into account any further Shares issued after the Latest Practicable Date and prior to the Listing, Tencent will, immediately following the completion of the Listing, have an economic interest in approximately 48.4% of the outstanding Shares of the Company and approximately 90.4% of the total voting power of the Company, comprising of (i) 1,640,456,882 Class B ordinary shares (representing approximately 89.8% of the voting power of the Company) held by Min River; (ii) 141,415,349 Class A ordinary shares (representing approximately 0.5% of the voting power of the Company), being 50% of the 282,830,698 Class A ordinary shares held by Spotify AB and over which Tencent holds voting power; and (iii) an aggregate of 20,082,508 Class A ordinary shares (representing approximately 0.1% of the voting power of the Company) held by certain minority shareholders of the Company, the voting power of which has been vested with Min River through voting proxy granted by such minority shareholders. Therefore, Tencent and Min River are the Controlling Shareholders of the Company. The foregoing beneficial ownership information of Tencent is based on the Amendment No. 2 to Schedule 13G filed by Tencent with the SEC on February 10, 2022. See "Relationship with the Controlling Shareholders," "Major Shareholders" and "Share Capital" for further details.

Weighted Voting Rights Structure and WVR Beneficiaries

The Company has a weighted voting rights structure. Under our weighted voting rights structure, our share capital comprises Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share entitles the holder to exercise one vote and each Class B ordinary share entitles the holder to exercise 15 votes, respectively, on all matters subject to vote at general and special meetings of the Company. For more details, see "Share Capital — Weighted Voting Rights Structure."

Immediately upon the Listing, the Company will have 14 WVR beneficiaries, among which there are eight WVR beneficiaries who are early stage investors of the Company each holding only one Class B ordinary share of the Company (collectively, the "**Early Stage Investors with Nominal Interest**"). These Early Stage Investors with Nominal Interest are AI Stone Limited, Balaena

Investments Limited, Brave Plus Holdings Limited, Capital Star Holdings Limited, Cityway Investments Limited, Guomin Holdings Limited, Hermitage Green Harbor Limited and PAGAC Music Holding II LP. We have applied for waiver from strict compliance with Rule 8A.39 of the Hong Kong Listing Rules in respect of the Early Stage Investors with Nominal Interest.

The WVR Beneficiaries (other than the Early Stage Investors with Nominal Interest) will be the following immediately upon the Listing[1]:

	Class A	Class B	Approximate percentage of voting rights
Tencent[2]	161,497,857	1,640,456,882	90.4%
RamCity Investments Limited	*	1	*
FeiYang Holdings Limited	*	1	*
OneDayDay Forever Investment Limited	*	1	*
Qifei International Development Co. Limited	—	50,189,923	2.7%
EMI Group Limited	—	24,492,362	1.3%

Notes:

* Less than 1% of our total outstanding shares.

(1) Calculated based on 3,390,154,264 outstanding ordinary shares as of the Latest Practicable Date and without taking into account any further Shares issued after the Latest Practicable Date and prior to the Listing. See "Share Capital" for further details.

(2) The number of ordinary shares beneficially owned represents the sum of (i) 1,640,456,882 Class B ordinary shares held by Min River, which is beneficially owned and controlled by Tencent; (ii) 141,415,349 Class A ordinary shares, or 50% of the 282,830,698 Class A ordinary shares held of record by Spotify AB; the voting power of such 141,415,349 Class A ordinary shares held of record by Spotify AB is vested with Tencent pursuant to the Spotify Investor Agreement and the Tencent Voting Undertaking, therefore Tencent is deemed to beneficially own such ordinary shares (pursuant to the Spotify Investor Agreement, Spotify has given Tencent a sole and exclusive right to vote our securities beneficially owned by Spotify and its affiliates, while pursuant to the Tencent Voting Undertaking, Tencent is obligated to vote 50% of the securities subject to the foregoing proxy from Spotify in proportion to votes cast for and against by non-Spotify shareholders); and (iii) an aggregate of 20,082,508 Class A ordinary shares held of record by certain minority shareholders of our Company; the voting power of these ordinary shares is vested with Tencent and therefore Tencent may be deemed to beneficially own these Class A ordinary shares. Tencent disclaims pecuniary ownership for the foregoing securities subject to the Tencent Voting Undertaking and the foregoing 20,082,508 ordinary shares held by record by the minority shareholders. The foregoing beneficial ownership information of Tencent is based on the Amendment No. 2 to Schedule 13G filed by Tencent with the SEC on February 10, 2022.

Grandfathered Greater China Issuer

We are seeking a secondary listing as a Grandfathered Greater China Issuer pursuant to Chapter 19C of the Hong Kong Listing Rules with a corporate WVR structure, and therefore certain shareholder protection measures and governance safeguards under Chapter 8A of the Hong Kong Listing Rules (Weighted Voting Rights) do not apply to us pursuant to Rule 8A.46 and our Articles of Association differ from Chapter 8A in a number of ways:

- the Company is controlled by corporate WVR beneficiaries, namely Tencent and Min River, which do not have a finite life span and will not be subject to directors' fiduciary duties, as opposed to those owned by individual WVR beneficiaries who must be directors of the listing applicant under Chapter 8A of the Listing Rules;
- Rule 8A.10 of the Hong Kong Listing Rules imposes restriction on voting power conferred to WVR beneficiaries to not more than ten times the voting power of ordinary shares. Each of our Class B ordinary share entitles the holder to exercise 15 votes;

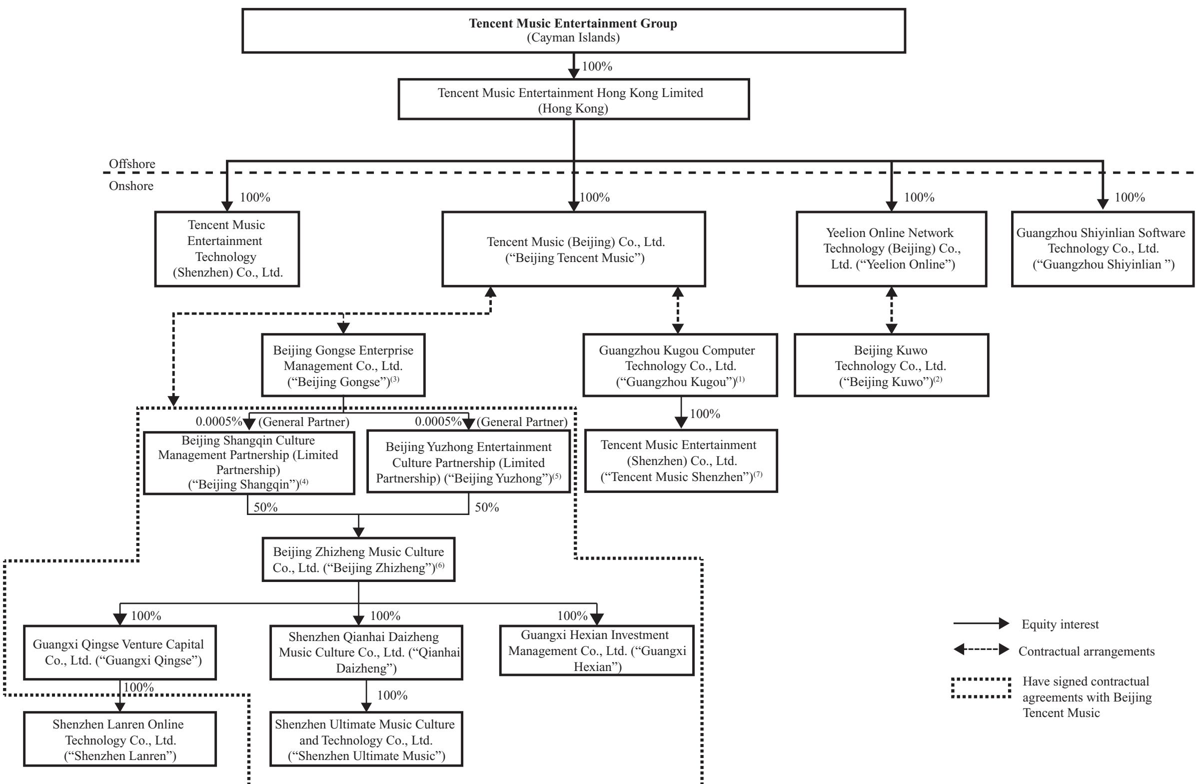
- Rule 8A.09 of the Hong Kong Listing Rules requires non-WVR shareholders to be entitled to cast at least 10% of the votes that are eligible to be cast on resolutions at the listed issuer's general meetings. Our WVR beneficiaries in aggregate have more than 90% of the voting power;
- Chapter 8A prohibits the increase in the proportion of shares with WVRs after the Listing and, where there is a reduction in the number of issued shares, requires shares with WVRs to be reduced proportionately. Our Articles of Association do not contain such restrictions on the Class B ordinary shares;
- Chapter 8A requires (a) amendments to a listed issuer's constitutional documents, (b) variation of rights attached to any class of shares, (c) the appointment or removal of an independent non-executive director, (d) the appointment or removal of auditors and (e) the voluntary winding-up of a listed issuer to be subject to shareholder approval on a one vote per share basis. Our Articles of Association do not contain such provisions;
- we do not have a corporate governance committee. Therefore, there is no charter that contains the terms otherwise required under Rule 8A.30 and Code Provision A.2.1 of Appendix 14 to the Hong Kong Listing Rules. For more details, see "Directors and Senior Management — Board Practices;" and
- the independent non-executive directors of a listed issuer with a WVR structure must be subject to retirement by rotation at least once every three years under Chapter 8A, whereas our Articles of Association do not provide for a term of office for our Directors.

Prospective investors are advised to be aware of the potential risks of investing in companies with a WVR structure, in particular that the interests of the WVR beneficiaries may not necessarily always be aligned with those of our shareholders as a whole, and that the WVR beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to "Risk Factors — Risks Related to Our Corporate Structure."

Our VIE Structure

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership companies that engage in value-added telecommunication services, internet cultural services, internet audio-video program services and certain other businesses. To comply with the foregoing PRC laws and regulations, we primarily conduct our business in China through the VIEs, including Guangzhou Kugou, Beijing Kuwo, Shenzhen Ultimate Music, Beijing Gongse, Beijing Shangqin, Beijing Yuzhong, Beijing Zhizheng, among others, and their respective subsidiaries in the PRC, based on a series of customary contractual arrangements.

For illustrative purposes, we summarize our corporate group structure in the diagram below, including our principal subsidiaries and consolidated affiliated entities as of the Latest Practicable Date:



Notes:

(1) Shareholders of Guangzhou Kugou and their respective shareholdings and relationship with our Company are as follows: (i) Linzhi Lichuang Information Technology Co., Ltd. (99.47%), an entity controlled by Tencent; (ii) Ms. Meiqi Wang (0.12%); (iii) Mr. Zhongwei Qiu (0.12%), a nominee shareholder designated by affiliates of PAG Capital Limited, which was a minority shareholder of our Company prior to the listing of our ADSs on the NYSE; (iv) Shenzhen Litong Industry Investment Fund Co., Ltd. (0.08%), an entity controlled by Tencent; (v) Mr. Zhenyu Xie (0.08%), our President, Chief Technology Officer and Director; (vi) Mr. Liang Tang (0.03%), our independent Director who resigned from directorship, effective on the date of this listing document; (vii) certain individuals and entities, including Zhuhai Hengqin Red Land Red Sea Venture Capital Co., Ltd. (0.03%), Mr. Jianming Dong (0.02%), Ms. Huan Hu (0.01%), Ms. Yaping Gao (0.01%), Hangzhou Yong Xuan Yong Ming Equity Investment Partnership (Limited Partnership) (0.01%) and Mr. Hanjie Xu (0.01%), as nominee shareholders designated by certain pre-IPO shareholders of our Company; and (viii) Guangzhou Lekong Investment Partnership (Limited Partnership) (0.01%), an employee equity incentive platform of Guangzhou Kugou, with Mr. Zhenyu Xie being its general partner. Guangzhou Kugou operates *Kugou Music* and *Kugou Live*.

(2) Shareholders of Beijing Kuwo and their respective shareholdings and relationship with our Company are as follows: (i) Linzhi Lichuang Information Technology Co., Ltd. (61.64%), an entity controlled by Tencent; (ii) Qianhai Daizheng (23.02%); and (iii) Mr. Lixue Shi (15.34%), our Group Vice President. Beijing Kuwo operates *Kuwo Music* and *Kuwo Live*.

(3) Shareholders of Beijing Gongse and their respective shareholdings and relationship with our Company are as follows: (i) Mr. Qihu Yang (20%), our General Counsel; (ii) Mr. Dejun Gu (20%), the head of our human resources department; and (iii) Ms. Xing Chen (20%), Ms. Yueting Luo (20%) and Mr. Yunheng Liang (20%), all of whom are employees of our Company.

(4) Partners of Beijing Shangqin are Beijing Gongse (0.0005%) (the general partner), Mr. Qihu Yang (19.9999%), Mr. Dejun Gu (19.9999%), Ms. Xing Chen (19.9999%), Ms. Yueting Luo (19.9999%) and Mr. Yunheng Liang (19.9999 %).

(5) Partners of Beijing Yuzhong are Beijing Gongse (0.0005%) (the general partner), Mr. Qihu Yang (19.9999%), Mr. Dejun Gu (19.9999%), Ms. Xing Chen (19.9999%), Ms. Yueting Luo (19.9999%) and Mr. Yunheng Liang (19.9999 %).

(6) Shareholders of Beijing Zhizheng are Beijing Shangqin (50%) and Beijing Yuzhong (50%).

(7) Tencent Music Shenzhen operates *QQ Music* and *WeSing*.

These contractual arrangements, as described in more detail in "History and Corporate Structure — Contractual Arrangements," collectively enable us to (i) exercise effective control over the VIEs, (ii) receive substantially all of the economic benefits of the VIEs, and (iii) have an exclusive option to purchase all or part of the equity interests and assets in the VIEs when and to the extent permitted by PRC law. As a result of these contractual arrangements, we have control over and are the primary beneficiary of the VIEs and hence consolidate their financial results under IFRS.

There are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. We have been further advised by our PRC Legal Adviser that if the regulatory authorities find that the agreements that establish the structure for operating our value-added telecommunication services, internet cultural services, internet audio-video program services and certain other businesses do not comply with regulatory restrictions on foreign investment in such businesses, we could be subject to severe penalties including being prohibited from continuing operations. For a description of the risks related to these Contractual Arrangements and our corporate structure, please see "Risk Factors — Risks Related to Our Corporate Structure."

ARTICLES OF ASSOCIATION

We are an exempted company incorporated in the Cayman Islands with limited liability and our affairs are governed by our Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands.

The laws of Hong Kong differ in certain respects from the Cayman Companies Act, and our Articles of Association do not currently satisfy some of the articles requirements pursuant to Appendix 3 to the Hong Kong Listing Rules (the "**Unmet Listing Rules Articles Requirements**"). In addition to the Unmet Listing Rules Articles Requirements, we have proposed additional amendments to our existing Articles of Association for better corporate governance (the "**Additional Amendments**"). We will put forth resolutions to incorporate the Unmet Listing Rules Articles Requirements and Additional Amendments into our Articles of Association (the "**Amendment Resolutions**") at a general meeting (the "**General Meeting**") of the Company to be convened within six months after the completion of the Listing. Min River, one of our Controlling Shareholders, will, prior to the Listing, irrevocably undertake to us to be present at the General Meeting, any general meeting and class meeting after the completion of the Listing until all Amendment Resolutions are approved by shareholders, and to vote in favor of the Amendment Resolutions. In addition, our Company will, prior to the Listing, undertake to the Hong Kong Stock Exchange that we will fully comply with the Unmet Listing Rules Articles Requirements and Additional Amendments upon the Listing and before our existing Articles of Association are formally amended to incorporate the Unmet Listing Rules Articles Requirements and Additional Amendments save for paragraph 15 and 16 of Appendix 3 to the Hong Kong Listing Rules. For further details, see "Waivers and Exemptions — Proposed Amendments to the Articles of Association" in this listing document.

Prospective investors are advised to be aware of the potential risks involved in any potential change of listing venue. For instance, if the Shares of the Company are no longer traded on the Hong Kong Stock Exchange, you may lose the shareholder protection mechanisms afforded under the relevant Hong Kong Listing Rules. For further information about the associated risks, please refer to the section headed "Risk Factors — Risks Related to Our Shares, Our ADSs and the Listing" in this listing document.

In addition, our Articles of Association also include certain provisions that are specific to us and may be different from common practices in Hong Kong, such as (i) director's power to create preferred shares, (ii) director's power to cancel general meeting, (iii) that Shares in the Company that are beneficially owned by the Company shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding Shares at any given time and (iv) that the quorum necessary for the transaction of the business of the Board may be fixed by the directors, and unless so fixed, the quorum shall be a majority of directors then in office and a majority of the directors appointed by Tencent. See "Information about this Document and the Introduction — Our Articles of Association" for further details.

RISK FACTORS

Our operations and the Listing involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us or the value of your investment. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our Class A Ordinary Shares. Some of the major risks that we face include:

- If we fail to anticipate user preferences to provide content catering to user demands, our ability to attract and retain users may be materially and adversely affected.
- We depend upon third-party licenses for the content of our content offerings, and any adverse changes to or loss of, our relationships with these content providers may materially and adversely affect our business, operating results, and financial condition.
- We may not have obtained complete licenses for certain copyrights with respect to a small portion of the content offered on our platform.
- We allow user-generated content to be uploaded on our platform. If users have not obtained all necessary copyright licenses in connection with such uploaded content, we may be subject to potential disputes and liabilities.
- We operate in a competitive industry. If we are unable to compete successfully, we may lose market share to our competitors.
- China's internet, music entertainment and long-form audio industries are highly regulated. Our failure to obtain and maintain requisite licenses or permits or to respond to any changes in regulatory policies, laws or regulations may materially and adversely impact our business, financial condition and results of operations.
- Our business operations may be adversely affected by the heightened regulatory oversight and scrutiny on live streaming platforms and performers.
- The content available on our platform may be found objectionable by the PRC regulators, which may subject us to penalties and other regulatory or administrative actions.
- Assertions or allegations that we have infringed or violated intellectual property rights, even not true, could harm our business and reputation.

- Our license agreements are complex, impose numerous obligations upon us and may make it difficult to operate our business. Any breach or adverse change to the terms of such agreements could adversely affect our business, operating results and financial condition.
- Our ADSs may be delisted and our ADSs and shares prohibited from trading in the over-the-counter market under the Holding Foreign Companies Accountable Act, or the HFCAA, if the PCAOB is unable to inspect or fully investigate auditors located in China. On December 16, 2021, PCAOB issued the HFCAA Determination Report, according to which our auditor is subject to the determinations that the PCAOB is unable to inspect or investigate completely. Under the current law, delisting and prohibition from over-the-counter trading in the U.S. could take place in 2024.
- If we are no longer able to benefit from our business cooperation with Tencent, our business may be adversely affected.
- Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to changes and uncertain interpretations, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business.
- We may face impairment risks in connection with our goodwill and other intangible assets.
- As a company applying for listing under Chapter 19C, we adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange.

IMPLICATIONS OF THE HOLDING FOREIGN COMPANIES ACCOUNTABLE ACT

The Holding Foreign Companies Accountable Act, or the HFCAA, was enacted on December 18, 2020. The HFCAA states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the Public Company Accounting Oversight Board of the United States, or the PCAOB, for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. Final rules implementing the submission and disclosure requirements in the HFCAA were adopted by the SEC on December 2, 2021 and generally became effective on January 10, 2022.

On December 16, 2021, the PCAOB issued the HFCAA Determination Report, according to which our auditor is subject to the determinations that the PCAOB is unable to inspect or investigate completely. In March 2022, the SEC issued its first "Conclusive list of issuers identified under the HFCAA" indicating that those companies are now formally subject to the delisting provisions if they remain on the list for three consecutive years. As of the Latest Practicable Date, we had been conclusively identified by the SEC under the HFCAA as having filed audit reports issued by a registered public accounting firm that cannot be inspected or investigated completely by the PCAOB in connection with our filing of the annual report on Form 20-F for the fiscal year ended December 31, 2021. We have furnished a Form 6-K where we provided an update on our status under the HFCAA. Despite such identification by the SEC, our active listing and trading status on the NYSE currently remains unchanged.

On August 26, 2022, the PCAOB signed a Statement of Protocol with the CSRC and the Ministry of Finance of the PRC which contains provisions that, if abided by, would give the PCAOB access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong completely. The PCAOB is required to reassess its determinations for purposes of the Holding Foreign Companies Accountable Act by the end of 2022.

The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. For the details of the risks associated with the enactment of the HFCAA, see "Risk Factors — Risks Related to Doing Business in China — The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections," "Risk Factors — Risks Related to Doing Business in China — Our ADSs may be delisted and our ADSs and shares prohibited from trading in the over-the-counter market under the Holding Foreign Companies Accountable Act, or the HFCAA, if the PCAOB is unable to inspect or fully investigate auditors located in China. On December 16, 2021, PCAOB issued the HFCAA Determination Report, according to which our auditor is subject to the determinations that the PCAOB is unable to inspect or investigate completely. Under the current law, delisting and prohibition from over-the-counter trading in the U.S. could take place in 2024," and "Risk Factors — Risks Related to Doing Business in China — The potential enactment of the Accelerating Holding Foreign Companies Accountable Act would decrease the number of non-inspection years from three years to two, thus reducing the time period before our ADSs may be prohibited from over-the-counter trading or delisted. If this bill were enacted, our ADSs could be delisted from the exchange and prohibited from over-the-counter trading in the U.S. in 2023."

IMPACTS OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has, since its initial outbreak, affected our business and results of operations in different ways but the overall impacts during the Track Record Period had not been material due to the online, digital nature of our business model and the consumption patterns of online music and audio entertainment services.

With respect to its impacts on our financial performance, we experienced a temporary decrease in revenue from social entertainment services and others in the first quarter of 2020 when the COVID-19 pandemic initially peaked in China. This was attributable primarily to the temporary decrease in users' consumption for online entertainment amid the uncertainty surrounding the COVID-19 outbreak, which was consistent with industry norm. As the COVID-19 situations improved in China after the first quarter of 2020, levels of user activities for social entertainment services and others recovered steadily in the second quarter of 2020, as demonstrated by a year-over-year revenue growth as compared to the same period in 2019.

On the other hand, during the pandemic, people are spending more time online at home, while craving to stay connected with their families and friends. This has created a unique opportunity for our platform to connect people via online music and audio entertainment. For example, users have increasingly used our virtual karaoke room functions to sing, chat, play and socialize with each other. Our virtual live concerts, offering an online-merge-offline music listening experience, have also amassed a wide audience amid the COVID-19 pandemic.

There are no comparable recent events that provide guidance on the effect the COVID-19 outbreak as a global pandemic may have, and, as a result, the ultimate impacts of the pandemic are highly uncertain and subject to change, even though conditions have been gradually improving. Variations of the COVID-19 virus, including notably the Omicron variant, have caused new outbreaks in China and across the world. For example, the recent resurgence of the Omicron variant in China since the beginning of 2022 resulted in city-wide lockdowns in a number of Chinese cities with heightened prevention measures adopted across China to curb the outbreak. This caused disruptions to varying degrees to normal business activities in China.

Nevertheless, the latest COVID-19 outbreak in China had not materially adversely affected our business, results of operations or financial condition as of the Latest Practicable Date, on the basis that (i) we mainly operate our business online, which had been less directly impacted by the city-wide lockdowns or other heightened prevention measures, (ii) we have taken precautionary measures in line with government guidelines to minimize the risks of the COVID-19 to our employees, and to ease the impact of the COVID-19 on our normal business operations, and (iii) the pandemic situation across China has been gradually improving with major cities resuming normal social and economic activities from recent lockdowns.

The extent to which the COVID-19 pandemic may continue to impact our business will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the pandemic, the effectiveness of travel restrictions and other measures to contain the outbreak and its impact, such as social distancing, quarantines and lockdowns. See also "Risk Factors — Risks Related to Doing Business in China — We face risks related to accidents, disasters and public health challenges in China and globally."

As of June 30, 2022, our cash and cash equivalents were RMB10,044 million (US$1,500 million). Our principal sources of liquidity have been cash generated from our operating activities. We believe this level of liquidity, coupled with our existing cash balance and strong monetization capabilities, is sufficient to allow us to successfully weather adverse changes and economic downturns during an extended period of uncertainty caused by the COVID-19 pandemic.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this listing document, there has not been any material adverse change in our financial or trading position or prospects since March 31, 2022, being the end date of the periods reported on in the Accountant's Report of our Company, the text of which is set out in Appendix IA to this listing document, and there is no event since March 31, 2022 which would materially affect the information shown in the Accountant's Report of our Company, the text of which is set out in Appendix IA to this listing document.

RECENT DEVELOPMENTS

Operational Highlights for the Second Quarter of 2022

The following tables set forth our key operating metrics for the periods indicated. See " — Key Operating Metrics" for more information about how these operating metrics are calculated.

	For the three months ended June 30,		
	2022	2021	YoY %
Mobile MAU — online music (million)	593	623	(4.8%)
Mobile MAU — social entertainment (million)	166	209	(20.6%)
Paying users — online music (million)	82.7	66.2	24.9%
Paying users — social entertainment (million)	7.9	11.0	(28.2%)
Monthly ARPPU — online music (RMB)	8.5	9.0	(5.6%)
Monthly ARPPU — social entertainment (RMB)	169.9	153.3	10.8%

For online music services, we experienced a year-over-year decrease in mobile MAUs during the second quarter, primarily due to reduced marketing spending. However, we achieved robust year-over-year and quarter-over-quarter subscription revenue growth along with paying user growth and a sequential rebound of ARPPU, as we are strategically focused on driving monetization efficiencies of our online music services to maximize the monetization potential of our already-massive base of mobile MAUs. Leveraging our high-quality content offerings and services, we will continue to benefit from our expanded sales channels and paying user loyalty.

For social entertainment services, while we achieved a sequential improvement in mobile MAUs, we experienced year-over-year decreases in mobile MAUs and paying users during the second quarter, primarily due to increased market competition. China's music-centric social entertainment services market is rapidly evolving with increasingly intensified competition. To drive user engagement in the long term, we are seeking to further improve our competitiveness through continuous product innovations and a variety of new initiatives, such as audio live streaming and virtual interactive product offerings.

Financial Results for the Second Quarter of 2022

Summary Consolidated Results of Operations

The table below sets forth our summary unaudited condensed consolidated income statement for the periods indicated.

	For the Three Months Ended June 30,				
	2021		2022		
	RMB	%	RMB	US$	%
	(in millions, except for percentages) (unaudited)				
Revenues					
Online music services	2,950	36.8	2,878	430	41.7
Social entertainment services and others	5,058	63.2	4,027	601	58.3
Total revenues	**8,008**	**100.0**	**6,905**	**1,031**	**100.0**
Cost of revenues	**(5,571)**	**(69.6)**	**(4,842)**	**(723)**	**(70.1)**
Gross profit	**2,437**	**30.4**	**2,063**	**308**	**29.9**
Operating expenses					
Selling and marketing expenses	(669)	(8.3)	(303)	(45)	(4.4)
General and administrative expenses	(1,008)	(12.6)	(1,114)	(166)	(16.1)
Total operating expenses	**(1,677)**	**(20.9)**	**(1,417)**	**(212)**	**(20.5)**
Interest income	123	1.5	151	23	2.2
Other gains, net	152	1.9	248	37	3.5
Operating profit	**1,035**	**12.9**	**1,045**	**156**	**15.1**
Share of net loss of investments accounted for using equity method	(22)	(0.3)	(6)	(1)	(0.1)
Finance cost	(29)	(0.3)	(23)	(3)	(0.3)
Profit before income tax	**984**	**12.3**	**1,016**	**152**	**14.7**
Income tax expense	(113)	(1.4)	(124)	(19)	(1.8)
Profit for the period	**871**	**10.9**	**892**	**133**	**12.9**
Attributable to:					
Equity holders of the Company	827	10.4	856	128	12.4
Non-controlling interests	44	0.5	36	5	0.5
	871	10.9	892	133	12.9

Revenues

The following table sets forth a breakdown of our revenues, in absolute amounts and as percentages of total revenues, for the periods indicated.

	For the Three Months Ended June 30,				
	2021		2022		
	RMB	%	RMB	US$	%
	(in millions, except for percentages) (unaudited)				
Revenues					
Online music services	2,950	36.8	2,878	430	41.7
Social entertainment services and others	5,058	63.2	4,027	601	58.3
Total revenues	**8,008**	**100.0**	**6,905**	**1,031**	**100.0**

Our total revenues decreased by 13.8% from RMB8.0 billion for the second quarter of 2021 to RMB6.9 billion (US$1.0 billion) in the same period of 2022.

- Revenue from online music services decreased by 2.4% from RMB3.0 billion for the second quarter of 2021 to RMB2.9 billion (US$430 million) in the same period of 2022. Revenue from music subscriptions was RMB2.1 billion (US$315 million), representing a 17.6% growth compared to RMB1.8 billion in the second quarter of 2021, primarily due to the increase in the number of paying users by 24.9%. ARPPU decreased from RMB9.0 in the second quarter of 2021 to RMB8.5 this quarter mainly due to the fact that we offered more promotions to attract users. Revenue from advertising decreased on a year-over-year basis due to the impact from industry adjustments on splash ads and the COVID-19 pandemic in some major cities. Sublicensing revenues also decreased on a year-over-year basis due to restructuring of agreements with certain music labels.

- Revenue from social entertainment services and others decreased by 20.4% from RMB5.1 billion for the second quarter of 2021 to RMB4.0 billion (US$601 million) in the same period of 2022. On a year-over-year basis, ARPPU increased by 10.8% in the second quarter of 2022, while paying users of social entertainment services decreased by 28.2%. The decrease was mainly due to the impact of increased competition from other platforms.

Cost of Revenues

Cost of revenues decreased by 13.1% from RMB5.6 billion for the second quarter of 2021 to RMB4.8 billion (US$723 million) in the same period of 2022. The decrease was primarily due to decrease in revenue sharing fees and agency fees resulting from decrease in revenue from social entertainment services and advertising services on a year-over-year basis.

Gross Profit and Gross Margin

Gross profit decreased by 15.3% from RMB2.4 billion for the second quarter of 2021 to RMB2.1 billion (US$308 million) in the same period of 2022. Gross margin slightly decreased by 0.5% from 30.4% for the second quarter of 2021 to 29.9% in the same period of 2022. This decrease in gross margin was primarily because the decrease in our total revenues outpaced the decrease in our total cost of revenues as some of them remained fixed in nature. We are taking measures to manage costs effectively and improve overall efficiency.

Operating Expenses

Total operating expenses decreased by 15.5% from RMB1.7 billion for the second quarter of 2021 to RMB1.4 billion (US$212 million) in the same period of 2022. Operating expenses as a percentage of total revenues decreased by 0.4% from 20.9% in the second quarter of 2021 to 20.5% in the same period of 2022.

Selling and marketing expenses

Selling and marketing expenses decreased by 54.7% from RMB669 million for the second quarter of 2021 to RMB303 million (US$45 million) in the same period of 2022. This decrease was primarily due to effective control over marketing expenses and optimization of the overall promotion structure to improve operating efficiency.

General and administrative expenses

General and administrative expenses increased by 10.5% from RMB1.0 billion to RMB1.1 billion (US$166 million) in the same period of 2022. The increase was mainly due to the expenses related to the application for the Listing and increased investment in research and development to expand our competitive advantages in product and technology innovations.

Profit for the period

Profit for the period was RMB0.9 billion (US$133 million) in the second quarter of 2022, as compared to RMB0.9 billion in the same period of 2021.

Net Current Assets and Liabilities

We recorded net current assets of RMB15.8 billion (US$2.4 billion) as of June 30, 2022. The table below sets forth our current assets and current liabilities as of the dates indicated.

	As of March 31, 2022	As of June 30, 2022	
	RMB	RMB	US$
		(unaudited)	
	(in millions)		
Current assets:			
Inventories	23	23	3
Accounts receivable	2,513	2,898	433
Prepayments, deposits and other assets	2,690	3,398	507
Other investments	37	37	6
Short-term investments	1,088	1,116	167
Term deposits	10,556	10,202	1,523
Cash and cash equivalents	8,353	10,044	1,500
Total current assets	**25,260**	**27,718**	**4,138**
Current liabilities:			
Accounts payable	5,179	5,738	857
Other payables and other liabilities	3,500	3,787	565
Current tax liabilities	425	393	59
Lease liabilities	86	88	13
Deferred revenue	1,872	1,895	283
Total current liabilities	**11,062**	**11,901**	**1,777**
Net current assets	**14,198**	**15,817**	**2,361**

Our current assets increased from RMB25.3 billion as of March 31, 2022 to RMB27.7 billion (US$4.1 billion) as of June 30, 2022, primarily due to (i) increased cash and cash equivalents; and (ii) increased prepayments, deposits and other assets as a result of increases in prepaid content royalties.

Our current liabilities increased from RMB11.1 billion as of March 31, 2022 to RMB11.9 billion (US$1.8 billion) as of June 30, 2022, attributable primarily to the increased accounts payable for operational costs and expenses.

Cash and Cash Equivalents

As of June 30, 2022, the balance of our cash, cash equivalents amounted to RMB10.0 billion (US$1.5 billion), compared to RMB8.4 billion as of March 31, 2022.

RECENT PRC REGULATORY DEVELOPMENTS

Cybersecurity and Data Privacy

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 2021. On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), effective from November 1, 2021. See "Regulatory Overview — Regulations on Internet Security" and "Regulatory Overview — Regulations on Privacy Protection." On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC regulatory authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》) which became effective on February 15, 2022. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulate that network platform operators holding over one million users' personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before listing in a foreign country (國外上市). On April 26, 2022, we consulted the China Cybersecurity Review Technology and Certification Center (the "**CCRC**"), which was entrusted by the CAC to set up cybersecurity review consultation hotlines, on a real-name basis. The CCRC has advised us that (i) the term of "listing in a foreign country (國外上市)" under the Cybersecurity Review Measures does not apply to listings in Hong Kong for purposes of the mandatory obligation to apply for a cybersecurity review with the CAC, and (ii) since the Regulations on Network Data Security Management (Draft for Comment) has not become effective or been formally implemented, the mandatory obligation to apply for a cybersecurity review with the CAC does not apply to the Listing. Our PRC Legal Adviser is of the view, based on consultation with the CCRC, that the term of "listing in a foreign country (國外上市)" under the Cybersecurity Review Measures does not apply to listings in Hong Kong for purposes of the mandatory obligation to apply for a cybersecurity review with the CAC. However, given the Cybersecurity Review Measures were recently promulgated, there are substantial uncertainties as to the interpretation, application and enforcement of the Cybersecurity Review Measures. See "Regulatory Overview — Regulations on Internet Security."

We believe that the Listing is unlikely to give rise to any national security risks under the Cybersecurity Review Measures, having considered that, as of the Latest Practicable Date, (i) we had not been notified by any PRC regulatory authorities of being classified as a critical information infrastructure operator which may be subject to cybersecurity review in certain circumstances that may affect national security in accordance with the Cybersecurity Review Measures; (ii) we had implemented comprehensive policies and rules and taken necessary measures on cybersecurity and data protection, which are in compliance with the mandatory requirements of the PRC regulatory authorities in all material respects; (iii) the users' personal information we collect and generate within the territory of mainland China is stored within the territory of mainland China, and our daily operations and the Listing do not involve cross-border transfer of identified core data, important data or a large amount of personal information, which could increase the possibility of us being subject to a cybersecurity review that may be initiated by relevant regulatory authorities at their discretion; (iv) we had not received any inquiry, notice, warning from any PRC regulatory authorities, or have not been subject to any investigation, sanctions or penalties made by any PRC regulatory authorities regarding national security risks caused by our business operations or the proposed Listing; and (v) we had not been involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures and have not been inquired, investigated, warned or penalized by any PRC authorities in this respect. Based on foregoing, our PRC Legal Adviser is of the view that, as of the Latest Practicable Date, the likelihood that our business operations and/or the proposed Listing would subject us to a cybersecurity review under the Cybersecurity Review Measures is relatively low. However, our PRC Legal Adviser has also advised us that, given that (i) there is no clear explanation or interpretations as to how to determine what "may affect national security" under the current effective PRC laws and regulations, (ii) the identification of critical information infrastructure operators and the scope of network products or services and data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant PRC regulatory authorities, and (iii) the PRC regulatory authorities have discretion in interpreting the regulations, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC Legal Adviser.

Furthermore, on November 14, 2021, the CAC published the Regulations on Network Data Security Management (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Regulations on Network Data, which reiterate the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process over one million users' personal information apply for listing in a foreign county; and (ii) the data processors' proposed listing in Hong Kong affects or may affect national security. However, it provides no further explanation or interpretation as to how to determine what "may affect national security," and there remain uncertainties whether we would be subject to the cybersecurity review for this Listing pursuant to such measures. As of the Latest Practicable Date, there is no schedule as to when the Draft Regulations on Network Data will be enacted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation.

During the Track Record Period and up to the Latest Practicable Date, (i) there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations or investigation or other legal proceeding, pending or threatened against us initiated by competent regulatory authorities or third parties, that will materially and adversely affect the business of us; (ii) we had not been subject to any material fines, administrative penalties, or other sanctions by any relevant regulatory authorities in relation to violation of cybersecurity and data protection laws and regulations; and (iii) we had not been involved in any investigations on cybersecurity review made by the CAC. In addition, we have maintained a comprehensive and rigorous data protection program and implemented comprehensive and strict internal policies, procedures and measures to ensure our compliance practice in data protection. See "Business — Technology and Data Capabilities — Data Security and Privacy" for details. Moreover, we will (a) closely monitor and assess any regulatory development in relation to cybersecurity and data protection; (b) adjust and optimize our practices in data protection in a timely manner to comply with the new requirements imposed by any new laws and regulations; (c) continuously improve our data security protection technologies and internal control procedures and engage external professional parties to advise us on cybersecurity and data protection requirements, if needed; and (d) proactively maintain communications with the relevant PRC regulators.

Based on the foregoing, our PRC Legal Adviser and Directors are of the view that we are in compliance with the existing PRC laws and regulations on cybersecurity, data security and personal data protection in all material aspects. In addition, our Directors and PRC Legal Adviser do not believe that the Draft Regulations on Network Data, if implemented in the current form, would have a material adverse impact on our business operations or the proposed Listing, nor do they foresee any material impediments for us to comply with the requirements under the Draft Regulations on Network Data in all material aspects.

Filings and Approvals Required by the PRC Regulatory Authorities Regarding the Proposed Listing

On December 24, 2021, the CSRC published the Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), or the Draft Administrative Provisions, and the Measures for the Overseas Issuance and Listing of Securities Record-filings by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》), or the Draft Measures, for public comments. Pursuant to these drafts, PRC domestic companies that directly or indirectly seek to offer or list their securities on an overseas stock exchange, including a PRC company limited by shares and an offshore company whose main business operations are in China and intends to offer securities or be listed on an overseas stock exchange based on its onshore equities, assets, incomes or other similar interests, are required to file with the CSRC within three business days after submitting their application documents to the regulator in the place of intended listing or offering. See "Regulatory Overview — Regulations on M&A and Overseas Listings."

Further, at the press conference held for these draft regulations on December 24, 2021, officials from the CSRC clarified that only the initial public offerings by PRC domestic companies and financing by existing overseas-listed PRC domestic companies would be required to complete the filing process if these drafts became effective in their current forms, and the existing overseas-listed companies that do not have subsequent financing activities will be allowed to complete the filing within the transition period. Therefore, if these draft regulations become effective in their current forms before this Listing is completed, our PRC Legal Adviser is of the view that we may be required to complete the filing procedures with the CSRC in connection with this Listing. The officials from the CSRC have also confirmed that companies with VIE structure may conduct overseas offerings and listings if they comply with applicable PRC laws and regulations. As advised by our PRC Legal Adviser, as of the date of this listing document, each of the agreements under the Contractual Arrangements is valid, legal and binding under PRC laws and regulations, and is not in violation of provisions of PRC laws and regulations currently in effect. Based on foregoing, our PRC Legal Adviser is of the view that the Contractual Arrangements would remain compliant with applicable PRC laws and regulations after these draft regulations come into effect in their current forms.

In addition, pursuant to the Draft Administrative Provisions, an overseas offering and listing of a PRC company is prohibited under any of the following circumstances, if (i) it is prohibited by PRC laws, (ii) it may constitute a threat to or endanger national security determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations, (v) the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations, or (vi) it has other circumstances as prescribed by the State Council. As advised by our PRC Legal Adviser, there are no explicit PRC laws and regulations which prohibit us from offering and listing on an overseas stock exchange. Furthermore, based on legal due diligence and public search conducted on the Company's PRC subsidiaries and consolidated affiliated entities, their controlling shareholders and actual controllers, and their directors, supervisors and senior executives and to the best of our knowledge, as of the Latest Practicable Date, our PRC subsidiaries and the consolidated affiliated entities, their controlling shareholders and actual controllers, as well as our directors, supervisors and senior executives have not been involved in relevant criminal offenses or administrative penalties that would prohibit us from conducting overseas offering and listing under the Draft Administrative Provisions. Based on the foregoing, if the Draft Administrative Provisions and the Draft Measures become effective in their current forms before the Listing is completed, we do not foresee any material impediment for us to comply with these regulations in any material respect. However, as advised by our PRC Legal Adviser, there are substantial uncertainties as to the implementation and interpretation of these draft regulations. In particular, it remains uncertain if the overseas offering and listing would be considered "constituting a threat to or endanger national security," and the regulatory authorities may have discretion in the interpretation and enforcement of these rules, if enacted. The period for which the CSRC solicits comments on these drafts ended on January 23, 2022. As of the Latest Practicable Date, the Draft Administrative Provisions and the Draft Measures are still in draft form and there is no definitive schedule for the adoptions of such drafts, and it remains unclear whether the versions adopted will contain any further material changes. There remain substantial uncertainties about how these drafts will be enacted, interpreted or implemented and how they will affect our operations and the Listing.

As of the Latest Practicable Date, we have not received any formal inquiry, notice, warning, sanction, or any regulatory objection to the Listing from the CSRC, the CAC, or any other PRC regulatory agencies that have jurisdiction over our operations, nor have we received any enquiries, comments, instructions, guidance or other concerns from any PRC authorities, including the CSRC, with respect to our Listing plan or Contractual Arrangements. If it is determined in the future that filings or approvals from the CSRC, the CAC, or other regulatory requirements are required for the Listing, it is uncertain whether we can or how long it will take us to complete such filings or obtain such approvals, and any such approval could be rescinded even obtained. Any failure to complete such filings, or failure to obtain or delay in obtaining such approvals for the Listing, or a rescission of any such approval if obtained by us, would subject us to sanctions by the CSRC, the CAC, or other PRC regulatory agencies. See "Risk Factors — Risks Related to Our Corporate Structure — The approval, filing or other requirements of the China Securities Regulatory Commission or other PRC regulatory authorities may be required under PRC law in connection with this Listing and our future issuance of securities overseas, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing" for more details.

Based on the foregoing, our PRC Legal Adviser is of the view that the Draft Measures permit PRC domestic companies with a VIE structure in compliance with applicable PRC laws and regulations to conduct overseas offerings and listings, and do not impose additional compliance requirements on the business operations of such PRC companies. Based on the foregoing analysis, with the advice of our PRC Legal Adviser, the Directors do not foresee the Draft Administrative Provisions and the Draft Measures, if they become effective in their current forms, would have a material adverse impact on our ability to operate our business under the Contractual Arrangements.

Recently Adopted Live Streaming Regulations

Regulatory authorities in China have been heightening its oversight on live streaming businesses. In November 2020, the National Radio and Television Administration promulgated the Circular on Strengthening the Administration of Live Streaming Web Shows and Live Streaming E-commerce (《關於加強網絡秀場直播和電商直播管理的通知》), or the Circular 78, which sets forth requirements for certain live streaming businesses with respect to real-name registration, limits on users' spending on virtual gifting, restrictions on minors from virtual gifting, live streaming review personnel requirements and content tagging requirements, among other things. Following the Circular 78, China's regulatory authorities have stepped up scrutiny on live streaming businesses, with a number of regulations promulgated successively, including the Guidance Opinions on the Strengthening the Regulation and Management Work of Internet Live Streaming (《關於加強網絡直播規範管理工作的指導意見》) and the Opinions on Further Regulating the For-Profit Activities in Online Live Streaming to Promote a Healthy Development of the Industry (《關於進一步規範網絡直播營利行為促進行業健康發展的意見》).

In particular, on May 7, 2022, the CAC, together with three other authorities, jointly issued the Opinions on Regulating Live Streaming and Strengthening Minor Protections (《關於規範網絡直播打賞加強未成年人保護的意見》), or the Live Streaming Opinions, which reiterates the requirements for live streaming platforms in respect of strengthening real-name registration, restrictions on minors from virtual gifting and prohibition on providing live streaming services to minors. Pursuant to the Live Streaming Opinions, online platforms are prohibited from ranking, introducing or recommending live streaming performers solely by the monetary amount of virtual gifts that they have received from users, nor could they rank users based on the monetary amount of virtual gifts that they have sent to live streaming performers. Any such rankings currently available on these online platforms is ordered to be removed by June 7, 2022 according to the Live Streaming Opinions.

We have taken various rectification measures across all of our live streaming platforms to adapt to other recently adopted live streaming regulations. For example, in response to the Guidance Opinions on the Strengthening the Regulation and Management Work of Internet Live Streaming (《關於加強網絡直播規範管理工作的指導意見》) issued in February 2021, we banned users from registering a live streaming publisher account on our live streaming platforms if they are identified as minors under the age of 16 based on their personal ID numbers. In compliance with applicable laws and regulations, minors aged between 16 and 18 are allowed to register a live streaming publisher account with *QQ Music* and *WeSing* with the consent from their parents or guardians. Such live streaming publisher account registration services are still not available to minors aged between 16 and 18 on *Kugou Live* and *Kuwo Music*. In addition, minors are not allowed to purchase or send any virtual gifts on all of our live streaming platforms. Furthermore, as required by the Live Streaming Opinions, we have adjusted relevant product functions so that our mobile apps do not rank, introduce and/or recommend live streaming performers solely based on the monetary amounts of virtual gifts received from users or rank users by the monetary amounts of virtual gifts sent to live streaming performers. As part of our efforts to comply with the foregoing live streaming regulations and enhanced risk management, we (i) have developed the relevant coding necessary to impose specific limits on the amounts of virtual gifts that can be sent by individual users which would be put in place once the regulatory authorities release the final implementation guidelines; (ii) closely monitor virtual gifting transactions by users to identify unusual or suspicious payments (e.g., virtual gifting in unreasonably large amounts); (iii) continuously monitor regulatory developments and market practices regarding limits on users' spending on virtual gifting and maintain regular communications with the relevant PRC regulatory authorities; and (iv) prohibit any virtual gifting by users identified as minors.

As of the Latest Practicable Date, we believe, as concurred by our PRC Legal Adviser, that these newly adopted live streaming regulations as mentioned above, including the Live Streaming Opinions, had not resulted in any direct material adverse impact on our business, results of operations and financial condition. On the basis that, during the Track Record Period and up to the Latest Practicable Date, (i) we had not been subject to any material fines, administrative penalties, or other sanctions by any relevant regulatory authorities in relation to violation of any live streaming regulations during the Track Record Period and up to the Latest Practicable Date, and (ii) we had established effective internal control measures that had allowed us to adapt to changes in live streaming regulations, our Directors and PRC Legal Adviser are of the view that we are in compliance with these existing PRC laws and regulations on live streaming in all material aspects. We believe that (i) we have implemented remedial measures as appropriate in accordance with the Live Streaming Opinions; (ii) we have put in place well-established internal control measures regarding content monitoring and copyright protections (see "Business — Content Monitoring" and "Business — Intellectual Property — Copyright"); (iii) we have not been subject to any material fines, administrative penalties, or other sanctions by any relevant regulatory authorities in relation to violation of any live streaming regulations during the Track Record Period and up to the Latest Practicable Date; and (iv) we are not aware of any live streaming performers on our platform that have been subject to any material regulatory penalties or sanctions arising out of their performances on our platform during the Track Record Period and up to the Latest Practicable Date. Based on the foregoing, we believe our internal control measures addressing the above-mentioned latest live streaming-related regulations are adequate and effective. Nevertheless, since these recently adopted live streaming regulations are relatively new, uncertainty remains as to their interpretation and implementation in practice, as well as their ultimate impact on our business and results of operations in the long term. See also "Risk Factors — Risks Related to Our Business and Industry — Our business operations may be adversely affected by the heightened regulatory oversight and scrutiny on live streaming platforms and performers."

We devote significant resources to the monitoring and screening of live performances on our platforms in compliance with applicable PRC laws and regulations. Specifically, we require live streaming performers and users to register with our platform on a real-name basis in order to upload content and require them to agree not to distribute illegal or inappropriate content in violation of any third-party rights or any applicable laws or regulations. In addition, we require users and live streaming performers to comply with our terms of service which strictly prohibit inappropriate content across our platform. Our terms of service set forth in detail the types of prohibited content and actions including, but not limited to, provocative or inflammatory language, full or partial nudity, sexually suggestive language and body movements, abusive language or actions towards other users, acts and threats of violence, and information facilitating or promoting illegal transactions or activities. We also monitor live performance delivered on our platform using a combination of human and AI-based machine screening to identify and remove any illegal and inappropriate content in accordance with applicable PRC laws and regulations, as well as any content found to have violated the intellectual property rights of other parties. Users can also report any violations of our terms of service or other inappropriate behavior using the "report" function within our mobile apps. As live performances on our platform are user-generated content, in order to avail ourselves of the copyright infringement safe harbor, we are required under the PRC copyright laws and regulations to implement "notice and take-down" policies on such content, which mitigates the risks of being held liable for copyright infringement under PRC laws for distributing user-generated infringing content on our platform. See "Business — Content Monitoring" and "Business — Intellectual Property — Copyright."

Anti-Monopoly Law Enforcement

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement of the PRC Anti-monopoly Law, including in the context of mergers and acquisitions and unfair competition. In July 2021, the SAMR issued an Administrative Penalty Decision to Tencent regarding its acquisition of CMC in 2016. Pursuant to the decision, we shall implement a rectification plan to, among other things, terminate exclusive music copyright licensing arrangements within 30 days from the date of the decision. We shall also discontinue any arrangement where we offer high advance licensing payment to and seek preferential licensing terms from copyright owners without reasonable grounds. To comply with such decision, Tencent and we have terminated the exclusivity with upstream copyright holders subject to certain limited exceptions specified in the decision and we will pursue non-exclusive collaborations with upstream copyright holders in accordance with the requirements in the decision. We had terminated the exclusivity with upstream copyright holders and ceased to enter into any new arrangements where we offer high advance licensing payments to and/or seek preferential licensing terms that may be deemed incompliant by the SAMR, from copyright holders pursuant to the Administrative Penalty Decision by late August 2021. We were not required to compensate the upstream copyright owners and did not make impairment to the relevant copyrights as a result of the termination of exclusive music copyright licensing arrangements pursuant to the Administrative Penalty Decision.

The requirements imposed by the Administrative Penalty Decision resulted in a decrease of our sublicensing revenues to the extent such revenues were generated from exclusive licensing arrangements. Meanwhile, the termination of exclusivity will reduce the content sourcing cost required to procure music content from certain music labels because we will no longer be required to pay music labels a premium to obtain exclusive rights to certain licensed content. Given such positive impacts to content sourcing cost and the fact that sublicensing revenues only accounted for a minority portion of our online music revenues before the termination of exclusive licenses, our remedial measures in response to the Administrative Penalty Decision did not overall have a material adverse impact on our net profit. Moreover, these measures did not have a material adverse impact on our online subscription revenue, because our online music paying users are not attracted to our platforms solely by the exclusivity of certain music content but rather because of our comprehensive content library, attractive social and product features, and all-in-one online entertainment experience which together distinguish us from our peers. In addition, despite the termination of exclusivity, we are allowed to offer songs licensed by certain copyright holders on an exclusive basis for a period of no more than 30 days upon their initial releases on our platform, which has also contributed to our ability to expand our paying user base and drive music subscription revenues.

We believe as concurred by our PRC Legal Adviser, that as of the Latest Practicable Date the Administrative Penalty Decision and our remedial measures taken in response had not resulted in any direct material adverse impact on our business, results of operations and financial condition because:

- As of the Latest Practicable Date, the termination of exclusivity had not resulted in any direct material adverse impact on our online music revenues and total revenues, because music subscription, which currently accounts for a substantial majority of online music revenues, is expected to continue to grow and become an important driver for our online music revenues going forward.
- The termination of exclusivity with upstream copyright holders may lower the entry barriers for new market entrants, intensifying the competition within China's online music industry, which may result in increased competitive pressure on us and our growth prospect. However, we believe that our established market position, vast and loyal customer base, technological innovations and increasingly diversified product and content offerings have allowed and will continue to allow us to compete effectively in our industry.
- The termination of exclusivity with upstream copyright owners is expected to reduce the content sourcing cost required to procure music content from certain music labels in the long run because we will no longer be required to pay music labels a premium to obtain exclusive rights to certain licensed content, which is expected to allow us to further improve overall content cost efficiency going forward.
- As of the date of this listing document, we had not received any further inquiry, notice, warning, sanction or objection relating to our remedial measures adopted in accordance with the Administrative Penalty Decision from the SAMR that resulted in any direct material adverse impact on our business, results of operations and financial condition.
- Other than the Administrative Penalty Decision, as of the Latest Practicable Date, we had not been subject to any other sanctions or penalties made by the PRC regulators regarding any anti-monopoly matters, nor had we received any order or decision from the PRC regulators that determines our current operations fall under the scope of monopolistic activities.

To further enhance our antitrust compliance efforts, we have formed a dedicated anti-monopoly compliance department to establish our group-wide compliance policies and programs including a systematic review mechanism to ensure that our commercial practices are conducted in compliance with antitrust laws, as well as protocols to effectively communicate with regulatory authorities, among other things. For details of our internal control measures, see "Business — Risk Management and Internal Control — Regulatory Compliance and Legal Risk Management."

Based on the due diligence work conducted by the Joint Sponsors, including (i) with the assistance of the Joint Sponsors' PRC Legal Adviser, reviewing the regulatory developments as set out above, (ii) discussing with the Company to understand the impact of the regulatory developments on the business operations of the Company, and (iii) discussing with the Company's and the Joint Sponsors' PRC Legal Advisers in relation to the same, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the reasonableness of the views and conclusions of the Company and its PRC Legal Adviser in "— Recent PRC Regulatory Developments" above.

THE LISTING

On December 12, 2018, we listed our ADSs on the NYSE under the symbol "TME." We have applied for a listing of our Class A ordinary shares by way of introduction on the Main Board under Chapter 7 (Equity Securities) as well as Chapter 19C (Secondary Listings of Overseas Issuers) of the Hong Kong Listing Rules. Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars. Our Class A ordinary shares will be traded on the Hong Kong Stock Exchange in board lots of 100 Class A ordinary shares. For more details, see "Information about this Document and the Introduction."

Bridging and Liquidity Arrangements

In connection with the Listing, the Designated Dealer and the Alternate Designated Dealer have been appointed as bridging dealer and alternate bridging dealer respectively and intend to implement certain bridging and liquidity arrangements during the Bridging Period (being 30 calendar days from and including the Listing Date). The Designated Dealer and the Alternate Designated Dealer have been appointed for a period of 30 calendar days commencing from the Listing Date. The Bridging Period will end on October 20, 2022.

In connection with the bridging and liquidity arrangements, on September 15, 2022, J.P. Morgan Securities plc as borrower, entered into a stock borrowing and lending agreement (the "**Stock Borrowing Agreement**") with Scarlet Punk Investment Limited, a wholly owned SPV of the Company, as lender (the "**Lender**"). Pursuant to the Stock Borrowing Agreement, the Lender will make available to the borrower stock lending facilities of up to 42,000,000 Class A ordinary shares (the "**Borrowed Shares**"), or approximately 2.5% of the Class A ordinary shares in issue as at the Latest Practicable Date, on one or more occasions, subject to applicable Laws. The Borrowed Shares will be registered on our Hong Kong share register and admitted into CCASS prior to and upon Listing. The Borrowed Shares shall be returned to the Lender within 15 business days after the expiry of the Bridging Period. For further details, see "Market Arrangements to Facilitate Dealings in Hong Kong — Bridging and Liquidity Arrangements."

Investor Education

Prior to the Listing, our Company and the Joint Sponsors will cooperate to inform the investor community of general information about our Company, as well as developments and/or changes to the market arrangements disclosed in this listing document. After the Listing, our Company and the Joint Sponsors may continue to take measures to educate the public. The measures, including but not limited to media briefings and press interviews, analyst briefings to local brokerages/research houses that cover Hong Kong-listed companies and publication of announcements containing, among other matters, information on the developments and updates of the liquidity arrangements, may be taken to enhance transparency of our Company and the bridging and liquidity arrangements as appropriate. For further details, see "Market Arrangements to Facilitate Dealings in Hong Kong — Investor Education."

WAIVERS AND EXEMPTIONS

As we are applying for listing under Chapter 19C of the Hong Kong Listing Rules, we will automatically not be subject to certain provisions of the Hong Kong Listing Rules, including, among others, rules on notifiable transactions, connected transactions, share option schemes, content of financial statements as well as certain other continuing obligations. In addition, in connection with the Listing, we have applied for a number of waivers and exemptions from strict compliance with the Hong Kong Listing Rules, guidance letters thereunder, and the SFO and a ruling under the Takeovers Code. For more details, see "Waivers and Exemptions."

Among the various waivers that we have applied for, we have applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the requirements in Paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules such that we are able to spin off a subsidiary entity and list it on the Hong Kong Stock Exchange within three years of the Listing. While we do not have any specific plans with respect to the timing or details of any potential spin-off listing on the Hong Kong Stock Exchange as at the date of this document, in light of the Group's overall business scale, we may consider spinning off one or more of our mature business units through a listing on the Hong Kong Stock Exchange within three years after the Listing, if there are clear commercial benefits both to us and the businesses to be potentially spun-off and there will be no adverse impact on the interests of our shareholders. The waiver granted by the Hong Kong Stock Exchange is conditional upon us confirming to the Hong Kong Stock Exchange in advance of any spin-off that it would not render the Company, excluding the business to be spun off, incapable of fulfilling the eligibility or suitability requirements under Rules 19C.02 and 19C.05 of the Hong Kong Listing Rules based on the financial information of the entity or entities to be spun off at the time of the Listing (calculated cumulatively if more than one entity is spun-off). We cannot assure you that any spin-off will ultimately be consummated, whether within the three-year period after the Listing or otherwise, and any such spin-off will be subject to market conditions at the time and approval by the Listing Committee. In the event that we proceed with a spin-off, the Company's interest in the entity to be spun-off (and its corresponding contribution to the financial results of our Group) will be reduced accordingly.

We enjoy exemptions from certain obligations under U.S. securities laws and the NYSE rules as a foreign private issuer as defined under the U.S. Exchange Act. Investors should exercise care when investing in our Shares and/or ADSs. See "Information about this Document and the Introduction — Summary of Exemptions as a Foreign Private Issuer in the United States."

LISTING EXPENSES

We expect to incur listing expenses of approximately RMB74.7 million consisting of (i) Sponsor-related expenses of approximately RMB22.2 million, and (ii) non-sponsor-related expenses of approximately RMB52.5 million, which are further comprised of fees and expenses of legal advisers and accountants of RMB40.1 million and other fees and expenses of RMB12.4 million. Listing expenses are recognized in our consolidated statements of comprehensive income/loss as and when they are incurred.

DIVIDEND POLICY

We currently have no plan to declare or pay any dividends in the near future on our shares or ADSs, as we currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. During the Track Record Period, no dividend was paid or declared by us.

Our Board of Directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our Board of Directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant. If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying the ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to the ADS holders in proportion to the Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder.