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## HISTORY AND CORPORATE STRUCTURE

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### OVERVIEW

Our business in online music commenced with the launch of online music services by *QQ*, the communication and social services operated by Tencent in 2003. Between 2003 and 2016, Tencent continued to expand its operations in online music services. In July 2016, Tencent acquired control of China Music Corporation (“**CMC**”) (being a company incorporated in Cayman Islands in June 2012 and the primary beneficial owner of each of Guangzhou Kugou and Beijing Kuwo) through a series of transactions pursuant to which (i) Tencent injected substantially all of its online music business in the PRC (which primarily included *QQ Music* and *WeSing*) into CMC; and (ii) in consideration of the foregoing, CMC issued an aggregate of 1,290,862,550 ordinary shares to a wholly-owned subsidiary of Tencent, Min River. Upon the completion of these transactions, Tencent owned an approximately 61.6% equity interests in CMC<sup>3</sup> and CMC became a consolidated subsidiary of Tencent.

In December 2016, CMC was renamed “Tencent Music Entertainment Group.” We conduct our business through our subsidiaries and VIEs.

### KEY MILESTONES

Our key business milestones are summarized below:

Date	Event
2003	<i>QQ</i> , the communication and social services operated by Tencent, launched online music services.
2004	<i>Kugou Music</i> was launched.
2005	<i>QQ Music</i> was launched.  Beijing Kuwo Technology Co., Ltd. (“ <b>Beijing Kuwo</b> ”), was incorporated in China and commenced its operations of <i>Kuwo Music</i> .
2006	Guangzhou Kugou Computer Technology Co., Ltd. (“ <b>Guangzhou Kugou</b> ”) was incorporated in China and acquired control of, and commenced to operate, <i>Kugou Music</i> .
2012	Guangzhou Kugou commenced offering its live streaming services through <i>Fanxing Live</i> .
2013	Beijing Kuwo launched <i>Kuwo Live</i> to offer live streaming services.
2014	<i>WeSing</i> commenced offering its online karaoke services.
2016	<i>Fanxing Live</i> was rebranded to <i>Kugou Live</i> .
2017	We acquired 100% equity interests in Ultimate Music Inc., a provider of online music services to smart devices.

<sup>3</sup> Upon completion of the acquisition of CMC by Tencent in July 2016, the other shareholders of CMC comprised of investment vehicles of certain of the then directors and officers of CMC, employee share option platforms of our Company and other third party investors independent from our Company.

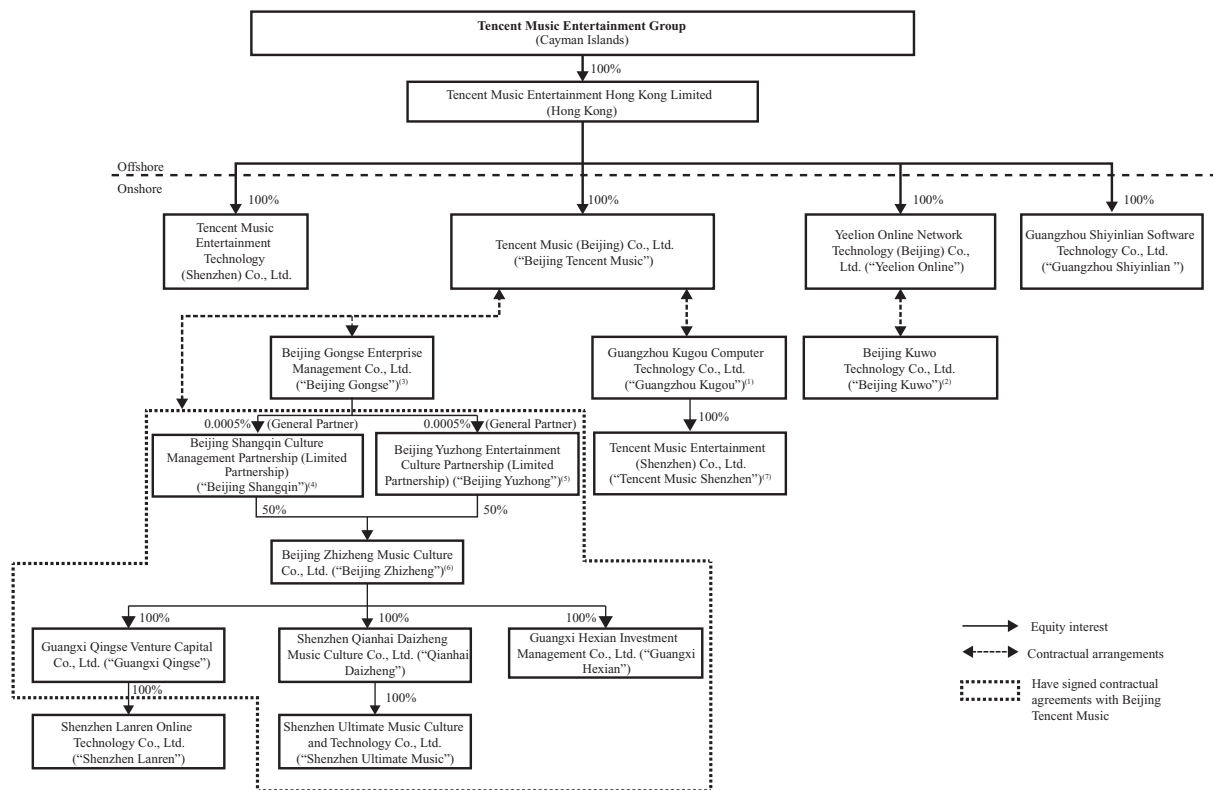
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Date	Event
2018	Our ADSs commenced trading on the NYSE.  We and Sony Music launched electronic dance music label, Liquid State.
2020	We launched <i>Kuwo Changting</i> , our long-form audio app.
2021	We integrated <i>Kuwo Changting</i> with <i>Lazy Audio</i> , a well-established audio platform in China operated by Shenzhen Lanren which we acquired in March 2021 and re-imaged the brand <i>Lazy Audio</i> (formerly branded as <i>Lanren Changting</i> ).

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### Our Corporate Structure

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%),

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- 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*.

### Major Subsidiaries and Operating Entities

As of the Latest Practicable Date, we conducted our business operations across more than 140 consolidated subsidiaries and operating entities, ten of which are our Major Subsidiaries, the principal business activities and dates of establishment of which are summarized below:

Name of company	Principal business activities	Date and jurisdiction of establishment
Tencent Music Entertainment Hong Kong Limited (騰訊音樂娛樂香港有限公司) (“TME Hong Kong”) . . . . .	Investment holding and music content distribution	July 6, 2012, Hong Kong
Tencent Music (Beijing) Co., Ltd. (騰訊音樂 (北京) 有限公司) . . . . .	Technical support and consulting services	September 14, 2012, PRC
Yeelion Online Network Technology (Beijing) Co., Ltd. (億覽在線網絡技術 (北京) 有限公司) . . . . .	Technical support and consulting services	September 7, 2005, PRC
Tencent Music Entertainment Technology (Shenzhen) Co., Ltd. (騰訊音樂娛樂科技 (深圳) 有限公司) . . . . .	Online music and entertainment related services	February 22, 2017, PRC
Guangzhou Shiyinlian Software Technology Co., Ltd. (廣州世音聯軟件科技有限公司) . . . . .	Technical support and consulting services	October 29, 2019, PRC
Guangzhou Kugou Computer Technology Co., Ltd. (廣州酷狗計算機科技有限公司) . . . . .	Online music and entertainment related services	February 20, 2006, PRC
Beijing Kuwo Technology Co., Ltd. (北京酷我科技有限公司) . . . . .	Online music and entertainment related services	December 8, 2005, PRC

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Name of company	Principal business activities	Date and jurisdiction of establishment
Tencent Music Entertainment (Shenzhen) Co., Ltd. (騰訊音樂娛樂 (深圳) 有限公司) . . . . .	Online music and entertainment related services	July 12, 2016, PRC
Guangxi Hexian Investment Management Co., Ltd. (廣西褐弦投資 管理有限公司) (previously known as “Xizang Qiming Music Co., Ltd. (西 藏齊鳴音樂有限公司)”) . . . . .	Music content investments and other investments	February 8, 2018, PRC
Shenzhen Lanren Online Technology Co., Ltd. (深圳市懶人在線科技有限公司) . .	Audio platform	March 27, 2012, PRC

### Major Acquisition and Disposal

#### *Transaction with UMG*

In March 2020, through one of our wholly-owned subsidiaries we joined a consortium led by Tencent to acquire a 10% equity stake in Universal Music Group, or UMG, from its parent company, Vivendi S.E. (formally known as Vivendi S.A.), at an enterprise value of EUR30 billion (the “**Initial UMG Transaction**”). To facilitate the Initial UMG Transaction, we completed the investment of 9.94% equity interest in the consortium for an investment consideration of EUR200 million (equivalent to approximately RMB1,531 million) in March 2020. The Initial UMG Transaction was completed in March 2020. The consortium also has the option to purchase an additional 10% equity stake in UMG at the same enterprise value as in the Initial UMG Transaction pursuant to the terms of the transaction documents. In December 2020, the consortium in the Initial UMG Transaction exercised its call option to acquire an additional 10% equity interest in UMG from Vivendi S.E. at the same enterprise value of EUR30 billion as in the Initial UMG Transaction (the “**Second UMG Transaction**”). To facilitate the Second UMG Transaction, we completed the additional investment in the consortium for an investment consideration of EUR161 million (equivalent to approximately RMB1,270 million) in January 2021. The Second UMG Transaction was completed in January 2021. To the best of their knowledge, our Directors, having made reasonable inquiry, believe that, other than Tencent, one of our Controlling Shareholders, each of UMG and Vivendi S.E. is an independent third party.

#### *Acquisition of Shenzhen Lanren*

In January 2021, we entered into a definitive agreement to acquire 100% equity interest of Shenzhen Lanren, which operates *Lazy Audio*, a well-established audio platform in China, for a total consideration of RMB2.7 billion, primarily payable in cash, plus certain post-acquisition equity awards to Shenzhen Lanren’s management team to be settled in several tranches in subsequent years, subject to fulfillment of certain conditions related to certain employee’s continuing employment post acquisition. Founded in 2012, Shenzhen Lanren provides entertainment in the forms of audiobooks, Chinese comedies, podcasts and other radio shows to customers via its comprehensive audio platform *Lazy Audio*. It monetizes via different channels, including pay per title, subscription

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payment for content, and advertising. *Lazy Audio* has developed into a thriving community with strong user interactions and engagement, providing superior content and services to audio users across China. Our acquisition of Shenzhen Lanren was completed in March 2021. In April 2021, we integrated *Kuwo Changting* with *Lazy Audio* and re-imaged the brand *Lazy Audio* (formerly branded as *Lanren Changting*). To the best of their knowledge, our Directors, having made reasonable inquiry, believe that, saved for China Literature Limited, one of the ultimate beneficial owners of Shenzhen Lanren prior to the acquisition and a non wholly-owned subsidiary of Tencent whose shares are listed on the Hong Kong Stock Exchange, each of Shenzhen Lanren and its other ultimate beneficial owners was, prior to the acquisition, an independent third party.

### SHAREHOLDING STRUCTURE

The Company will have a WVR structure immediately upon the Listing through two classes of Shares (Class A ordinary shares and Class B ordinary shares). See “Share Capital – Weighted Voting Rights Structure” for further details of our WVR structure and WVR beneficiaries and “Major Shareholders” for further details on the voting rights and the beneficial ownership of the principal shareholders of the Company.

### CONTRACTUAL ARRANGEMENTS

Currently, substantially all of our users and business operations are located in the PRC and we do not have plans for any significant overseas expansion in the foreseeable future, as our primary focus is the PRC online music and audio entertainment market, which we believe possesses tremendous growth potential and attractive monetization opportunities.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunication services, internet cultural services, internet audio-video program services and certain other businesses. The Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2021 Version) provides that foreign investors are generally not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider other than providers of e-commerce, domestic multiparty communication, store-and-forward or call center service, and the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) require that the major foreign investor in a value-added telecommunication service provider in China must have experience in providing value-added telecommunications services overseas and maintain a good track record. On March 29, 2022, the Decision of the State Council on Revising and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》), which took effect on May 1, 2022, was promulgated to amend certain provisions of regulations including the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) (《外商投資電信企業管理規定(2016年修訂)》), the requirement for major foreign investor to demonstrate a good track record and experience in operating value-added telecommunications businesses is deleted. However, since it is relatively new and no detailed guidance or implementation measures have been issued, uncertainties still exist in relation to its interpretation and implementation. Such regulatory development does not invalidate our ICP licenses or require us to

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modify our Contractual Arrangements according to the PRC laws and regulations. In addition, foreign investors are prohibited from investing in companies engaged in certain online and culture related businesses.

We are a company incorporated in the Cayman Islands. Our PRC subsidiaries, including Beijing Tencent Music and Yeelion Online (each, the “**Wholly-owned Entity**”), among others, are considered foreign-invested enterprises. 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.

These contractual arrangements enable us to:

- (i) receive the economic benefits that could potentially be significant to our consolidated affiliated entities in consideration for the services provided by our subsidiaries;
- (ii) exercise effective control over our consolidated affiliated entities; and
- (iii) hold an exclusive option to purchase all or part of the equity interests in our consolidated affiliated entities when and to the extent permitted by PRC law.

The Contractual Agreements include equity interests pledge agreement(s) or share of property pledge agreement, exclusive option agreement(s), exclusive technical service agreement(s) or business cooperation agreement(s), loan agreement(s), debt assignment and offset agreement(s), voting trust agreement(s) or power of attorney, spouse consent(s), as the case may be. Please see “History and Corporate Structure – Contractual Arrangements – Contractual Arrangements Relating to Our Consolidated Affiliated Entities” for further details. We do not have any equity interests in our consolidated affiliated entities. However, as a result of contractual arrangements, we have effective control over and are considered the primary beneficiaries of these companies, and we have consolidated the financial results of these companies in our consolidated financial statements under IFRS.

These contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs. If the VIEs or their respective shareholders or partners fail to perform their respective obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that give us effective control over our business operations in the PRC and may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure will be effective under PRC law. Furthermore, if we are unable to maintain effective control, we would not be able to continue to consolidate the financial results of our consolidated affiliated entities in our financial statements. In the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, we derived 99.8%, 99.8%, 99.1% and 98.1% of our total external

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revenues from our consolidated affiliated entities, respectively. The Company confirms that there is no material deviation of its existing Contractual Arrangements from the standards in LD43-3 on the basis that, as at the Latest Practicable Date, the Contractual Arrangements are in place to comply with current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunication services, internet cultural services, internet audio-video program services and certain other businesses. For a detailed description of the regulatory environment that necessitates the adoption of our corporate structure, see “Regulatory Overview.” For details of these and other risks associated with our VIE structure, see “Risk Factors – Risks Related to Our Corporate Structure.”

### **Contractual Arrangements Relating to Our Consolidated Affiliated Entities**

The following is a summary of our typical contractual arrangements. The Contractual Arrangements by and among us (through our wholly-owned PRC subsidiaries) and each of the VIEs as well as their respective shareholders or partners, are substantially similar to the corresponding contractual arrangements discussed below, unless otherwise indicated. In addition, the spouses of certain shareholders or partners of VIEs have also signed spousal consents, the key terms of which are summarized below.

In the opinion of our PRC Legal Adviser:

- (i) the ownership structures of the VIEs and our wholly-owned PRC subsidiaries, and the contractual arrangements among our wholly-owned PRC subsidiaries, the VIEs and their respective shareholders or partners governed by PRC laws as of the date of this listing document do not contravene any PRC laws or regulations currently in effect (including the PRC Civil Code), and would not fall within the circumstances as stipulated in the PRC Civil Code which will lead to the invalidity of the contractual agreements; and
- (ii) the contractual arrangements among our wholly-owned PRC subsidiaries, the VIEs and their respective shareholders or partners governed by PRC laws as of the date of this listing document are valid and binding upon each party to such arrangements and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect.

Based on the advice from our PRC Legal Adviser, our Directors believe that the agreements underlying the contractual arrangements as described above that confer significant control and economic benefits from the VIEs on us are enforceable under the relevant laws. Nevertheless, any violations by the VIE or its shareholder of our agreements with them could disrupt our operations or adversely affect our services. See “Risk Factors – Risks Related to Our Corporate Structure.”

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 counsel 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

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and certain other businesses and related business 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.”

### *Contractual Arrangements in relation to Guangzhou Kugou and Beijing Kuwo*

#### (i) Equity Interests Pledge Agreement

Pursuant to the relevant equity interests pledge agreement(s), the shareholders of the relevant VIEs pledged all of their equity interests in the VIEs to guarantee VIEs and their respective shareholders’ performance of their obligations under, where applicable, the exclusive option agreement, exclusive technical service agreement, voting trust agreement and loan agreement (as the case may be). If the VIEs or any of their shareholders breach their contractual obligations under these agreements, each relevant Wholly-owned Entity will be entitled to certain rights, including but not limited to the rights to auction or sell the pledged equity interests. Without the prior written consent of the relevant Wholly-owned Entity, the shareholders of the VIEs shall not transfer the pledged equity interests, create or permit to be created any new pledge or any other security interest on the pledged equity interests.

#### (ii) Exclusive Option Agreement

Pursuant to the exclusive option agreement(s) entered into by and among the relevant Wholly-owned Entity, the relevant VIEs and the shareholders of the relevant VIEs, the shareholders of VIEs irrevocably granted the relevant Wholly-owned Entity or its designated person, an exclusive option to purchase at its discretion, all or part of the equity interests held by the shareholders of the relevant VIEs at the price agreed by the parties to the extent permitted by PRC law. Without the prior written consent of the relevant Wholly-owned Entity, the shareholders of the relevant VIEs shall not transfer or otherwise dispose of, or create any encumbrances or third party interests upon their equity interests in the relevant VIE. In addition, the relevant VIE irrevocably granted the relevant Wholly-owned Entity or its designated party an exclusive option to purchase at its discretion, all or part of the assets held or entitled to be used by the relevant VIE, to the extent permitted under PRC law.

#### (iii) Exclusive Technical Service Agreement

Pursuant to the exclusive technical service agreement(s) entered into by and between the relevant Wholly-owned Entity and the relevant VIE, the relevant Wholly-owned Entity or its designated person has the sole and exclusive right to provide specified business support, technical service and consulting service to the relevant VIE. The relevant VIE agrees to accept such services and, without the prior written consent of the relevant Wholly-owned Entity, may not accept the same or similar services provided by any third party during the term of the agreement. The relevant VIE



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agrees to pay to the relevant Wholly-owned Entity specified service fees, which represents 90% of the annual net operating income of the relevant VIE together with other service fees charged for other ad hoc services provided.

(iv) Loan Agreement

Pursuant to the loan agreement(s) entered into by and among the relevant Wholly-owned Entity and the shareholders of the relevant VIE, the relevant Wholly-owned Entity provided loans to the shareholders of the relevant VIE solely for the purpose of acquiring equity interests of the relevant VIE. The relevant Wholly-owned Entity has the sole discretion to determine the method of repayment, including requiring the shareholders of the relevant VIE to transfer their equity interests in the relevant VIE to the relevant Wholly-owned Entity or its designated person.

(v) Debt Assignment and Offset Agreement

Pursuant to the debt assignment and offset agreement(s) entered into by and among the assignor and assignee of the equity interests in the relevant VIE and the relevant Wholly-owned Entity, the relevant assignor transferred, and the relevant assignee agreed to undertake, the assignor's obligations to repay the loan (and its interest) under the relevant loan agreement (as described above). As consideration for the assignee to undertake the assignor's obligations to repay the loan (and its interest) under the loan agreement, the transfer consideration equal to the amount of outstanding loan under the loan agreement in the share transfer agreement with respect to equity interest of the relevant VIE between the assignor and the assignee shall be regarded as has been paid by the assignee to the assignor.

(vi) Voting Trust Agreement

Pursuant to the voting trust agreement(s) entered into by and among the relevant Wholly-owned Entity, the relevant VIE and the shareholders of the relevant VIE, the shareholders of the relevant VIE each irrevocably granted the relevant Wholly-owned Entity or any person designated by the relevant Wholly-owned Entity as their attorney-in-fact to vote on their behalf on all matters of the relevant VIE by issuing a voting proxy.

(vii) Spousal Consents

The spouses of certain individual shareholders of the VIEs have each signed a spousal consent letter. Under the spousal consent letter(s), the signing spouse unconditionally and irrevocably approved the execution by his or her spouse of the above-mentioned equity interests pledge agreement, exclusive option agreement, debt assignment and offset agreement and voting trust agreement, as applicable, and that his or her spouse may perform, amend or terminate such agreements without his or her consent. Moreover, the spouse confirmed he or she has no rights, and will not assert in the future any right, over the equity interests in the applicable VIEs held by his or her spouse. In addition, in the event that the spouse obtains any equity interest in the applicable

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VIEs held by his or her spouse for any reason, he or she agrees to be bound by and sign any legal documents substantially similar to the contractual arrangements entered into by his or her spouse, as may be amended from time to time.

### ***Contractual Arrangements in relation to Beijing Gongse, Beijing Shangqin, Beijing Yuzhong and their controlled entities***

#### (i) Equity Interests Pledge Agreement or Share of Property Pledge Agreement

Pursuant to the relevant equity interests pledge agreement(s), the shareholders of the relevant VIEs pledged all of their equity interests in the VIEs to guarantee VIEs and their respective shareholders' performance of their obligations under, where applicable, the exclusive option agreement, exclusive business cooperation agreement, power of attorney, and loan agreement (as the case may be). If the VIEs or any of their shareholders breach their contractual obligations under these agreements, each relevant Wholly-owned Entity will be entitled to certain rights, including but not limited to the rights to auction or sell the pledged equity interests. Without the prior written consent of the relevant Wholly-owned Entity, the shareholders of the VIEs shall not transfer the pledged equity interests, create or permit to be created any new pledge or any other security interest on the pledged equity interests.

In addition, the partners of Beijing Shangqin entered into a series of share of property pledge agreements with Beijing Tencent Music and Beijing Shangqin, pursuant to which the partners of Beijing Shangqin pledged all of their share of property held in Beijing Shangqin to Beijing Tencent Music. Similarly, the partners of Beijing Yuzhong entered into a series of share of property pledge agreements with Beijing Tencent Music and Beijing Yuzhong, pursuant to which the partners of Beijing Yuzhong pledged all of their share of property held in Beijing Yuzhong to Beijing Tencent Music.

#### (ii) Exclusive Option Agreement

Pursuant to the relevant exclusive option agreement(s) entered into by and among the relevant Wholly-owned Entity, the relevant VIEs and the shareholders or partners of the relevant VIEs, the shareholders or partners of VIEs irrevocably granted the relevant Wholly-owned Entity or its designated person, an exclusive option to purchase at its discretion, all or part of the equity interests held by the shareholders or partners of the relevant VIEs at the price agreed by the parties to the extent permitted by PRC law. Without the prior written consent of the relevant Wholly-owned Entity, the shareholders or partners of the relevant VIEs shall not transfer or otherwise dispose of, or create any encumbrances or third party interests upon their equity interests in the relevant VIE. In addition, the relevant VIE irrevocably granted the relevant Wholly-owned Entity or its designated party an exclusive option to purchase at its discretion, all or part of the assets held or entitled to be used by the relevant VIE, to the extent permitted under PRC law.

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### (iii) Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement(s) between Beijing Gongse, Beijing Shangqin, Beijing Yuzhong, Beijing Zhizheng, Guangxi Hexian, Shenzhen Ultimate Music, Guangxi Qingse, or Qianhai Daizheng and our respective and our applicable subsidiary, there is no specific number or percentage of service fees that our subsidiary is entitled to charge for the services provided to each such VIE. Instead, the services fee can be agreed by Beijing Gongse, Beijing Shangqin, Beijing Yuzhong, Beijing Zhizheng, Guangxi Hexian, Shenzhen Ultimate Music, Guangxi Qingse, or Qianhai Daizheng and our respective applicable subsidiary by taking into account the complexity of services provided, the time consumed and seniority of staff involved and other factors.

### (iv) Loan Agreement

Pursuant to the loan agreement(s) entered into by and among the relevant Wholly-owned Entity and certain shareholders or partners of the relevant VIE, the relevant Wholly-owned Entity provided loans to the relevant shareholders or partners of the relevant VIE solely for the purpose of acquiring equity interests of the relevant VIE. The relevant Wholly-owned Entity has the sole discretion to determine the method of repayment, including requiring the relevant shareholders or partners of the relevant VIE to transfer their equity interests in the relevant VIE to the relevant Wholly-owned Entity or its designated person.

### (v) Debt Assignment and Offset Agreement

Pursuant to the debt assignment and offset agreement(s) entered into by and among the assignor and assignee of the equity interests in the relevant VIE and the relevant Wholly-owned Entity, the relevant assignor transferred, and the relevant assignee agreed to undertake, the assignor's obligations to repay the loan (and its interest) under the relevant loan agreement (as described above). As consideration for the assignee to undertake the assignor's obligations to repay the loan (and its interest) under the loan agreement, the transfer consideration equal to the amount of outstanding loan under the loan agreement in the share transfer agreement with respect to equity interest of the relevant VIE between the assignor and the assignee shall be regarded as has been paid by the assignee to the assignor.

There is no such debt assignment and offset agreement between Beijing Gongse, Beijing Shangqin, Beijing Yuzhong, Beijing Zhizheng, Guangxi Qingse, Qianhai Daizheng or Shenzhen Ultimate Music and their respective shareholders or partners.

### (vi) Power of Attorney

Pursuant to the power of attorney entered into by and among the relevant Wholly-owned Entity, the relevant VIE and the shareholders or partners of the relevant VIE, the shareholders or partners of the relevant VIE each irrevocably authorized the relevant Wholly-owned Entity or any person designated by the relevant Wholly-owned Entity as the sole and exclusive proxy of the shareholders or partners of the relevant VIE to vote on their behalf on all matters of the relevant VIE.

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### (vii) Spousal Consents

The spouses of certain individual shareholders or partners of the VIEs have each signed a spousal consent letter. Under the spousal consent letter(s), the signing spouse unconditionally and irrevocably approved the execution by his or her spouse of the above-mentioned equity interests pledge agreement or share of property pledge agreement, exclusive option agreement, loan agreement and power of attorney, as applicable, and that his or her spouse may perform, amend or terminate such agreements without his or her consent. Moreover, the spouse confirmed he or she has no rights, and will not assert in the future any right, over the equity interests in the applicable VIEs held by his or her spouse. In addition, in the event that the spouse obtains any equity interest in the applicable VIEs held by his or her spouse for any reason, he or she agrees to be bound by and sign any legal documents substantially similar to the contractual arrangements entered into by his or her spouse, as may be amended from time to time.

### INVESTMENT PRIOR TO THE NYSE LISTING

In December 2017, (i) we issued 282,830,698 ordinary shares to Spotify AB, a wholly-owned subsidiary of Spotify (NYSE: SPOT), and (ii) Spotify, in exchange, issued 8,552,440 ordinary shares (after giving effect to a 40-to-one share split of Spotify's ordinary shares) to TME Hong Kong.

In the first quarter of 2018, we issued a total of 67,370,801 ordinary shares to certain financial and strategic investors for an aggregate consideration of approximately US\$239 million and issued a total of 52,024,094 ordinary shares to the then existing shareholders of the Company for an aggregate consideration of approximately US\$210 million.

In September 2018, we issued a total of 23,084,008 ordinary shares to Min River, PAGAC Music Holding II Limited, CICFH Culture Entertainment Group, Guomin Holdings Limited and Cityway Investments Limited and a total of 460,724 options to purchase our ordinary shares to certain individuals to acquire all the remaining interest in United Music Entertainment Corporation, an investment holding company that invests in and manages a portfolio of companies in the music industry and an associate of the Company, in each case under Regulation S under the Securities Act of 1933.

On October 3, 2018, we issued a total of 68,131,015 ordinary shares to WMG China LLC, an affiliate of Warner Music Group Corp, and Sony Music Entertainment for an aggregate cash consideration of approximately US\$200 million, in reliance on Section 4(a)(2) of the Securities Act regarding private sales of securities.

Immediately prior to our NYSE listing, the shareholders agreement provides for certain special rights granted to the investors, including right of first refusal, right of co-sale, and drag-along right and contains provisions governing the Board and other corporate governance matters. Those special rights, as well as the corporate governance provisions, have automatically terminated upon the completion of our initial public offering on December 12, 2018 on the NYSE.

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## HISTORY AND CORPORATE STRUCTURE

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### LISTING ON THE NYSE

On December 12, 2018 we listed our ADSs on the NYSE under the symbol “TME.” Since the date of our listing on the NYSE and up to the Latest Practicable Date, our Directors confirm that we had no instances of non-compliance with the rules of the NYSE in any material respects and to the best knowledge of our Directors having made all reasonable enquiries, there is no matter that should be brought to investors’ attention in relation to our compliance record on the NYSE. Based on the independent due diligence work conducted (including but not limited to independent searches, review of the Company’s public filings and interviews with the Company), nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the Directors’ view above.

We believe that the Listing on the Hong Kong Stock Exchange will provide our Shareholders with greater liquidity and flexibility amid an evolving regulatory environment.

### SAFE REGISTRATION

The SAFE promulgated the SAFE Circular 37 in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. According to SAFE Circular 13, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015.

To the knowledge of our Company, Lixue Shi (史力學), Zhenyu Xie (謝振宇) and Linlin Chen (陳琳琳) have completed their initial SAFE registrations prior to our listing on the NYSE.