

### WHO WE ARE

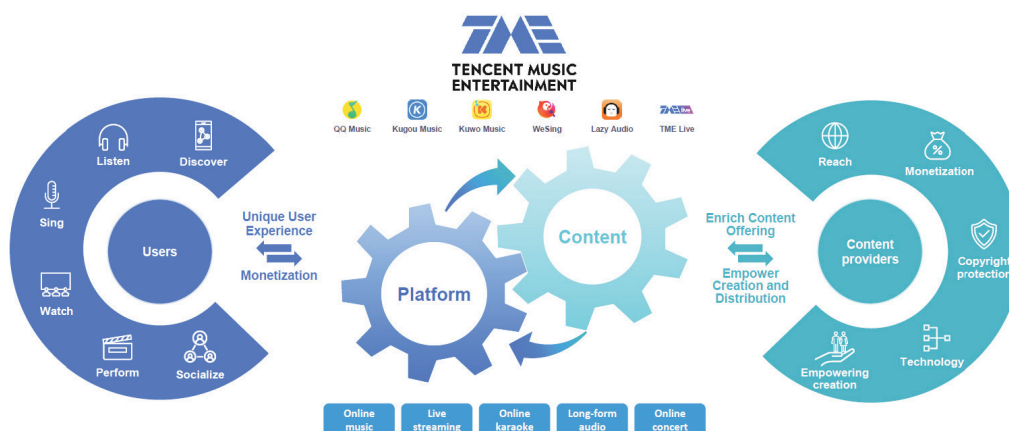
Music is a universal passion. No matter who we are, where we come from, we all have our favorite songs, albums or artists. Music enriches our lives by reaching us in deeply personal ways and connecting us with each other through engaging, social and fun experiences. We are pioneering the way people enjoy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

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## BUSINESS

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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, and further 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 the first quarter of 2022.

### OUR INNOVATIVENESS AND HOW IT CONTRIBUTES TO OUR LEADERSHIP

The innovativeness of our business is manifest in our position as an early mover and trendsetter in terms of both product and monetization innovations.

- *Online music services*. According to iResearch, we are among the first to introduce the idea of online music to the Chinese audience and first to have successfully deployed an online music subscription model. According to the same source, we are the first in China to offer online music services to over 100 million mobile MAUs. For nearly two decades, we have been spearheading major transformation within China’s online music industry — from launching one of China’s first online music services to introducing China’s first online music subscription model — all designed to fulfill our mission to enable people to create, enjoy, share and interact with music through technologies.
- *Social entertainment services*. According to iResearch, we are among the first in China’s online music and audio entertainment industry to offer online karaoke services. According to the same source, we are the first in China to offer online karaoke services to over 100 million mobile MAUs and currently operate the largest social entertainment services in terms of mobile MAUs within China’s online music industry.
- *Pioneer and leader in monetization*. We are not only the first to have successfully introduced an online music subscription but have also over time developed innovative,

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## BUSINESS

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multi-faceted monetization approaches which currently include online music subscription, sales of virtual gifts, advertising and premium memberships, among others. Such diverse monetization methods not only enable us to become the only large-scale, profitable music platform in China, but also lead to a sustainable business model that is highly resilient to industry changes.

According to iResearch, we have been able to launch new products earlier than our main competitor across many major product lines and outperformed them in terms of a number of operating and financial metrics. See “Industry Overview” for a comparison of the operating and financial performances of TME and other key market players. Being the industry’s first to market has given us tremendous first-mover advantages when it comes to understanding users’ needs and preferences and gaining their trust and mindshare. Such first-mover advantages, coupled with our continued dedication to innovations, have allowed us to achieve scale, build operational excellence, invest in advanced technologies, and nurture a massive and loyal user base that all come together to form a solid foundation for our long-term sustainable growth. Driven by our first-mover advantages and continued innovations, we have been leading the major transformation in China’s online music and pan-entertainment industry in the past two decades.

Our innovativeness is also demonstrated by the broad application of leading technologies driven by our continued investment in R&D. We have devoted substantial resources in R&D, as evidenced by the increasing R&D expenses of RMB1,159 million, RMB1,667 million, RMB2,339 million and RMB596 million (US\$94 million) in 2019, 2020 and 2021 and for the three months ended March 31, 2022, respectively, representing approximately 4.6%, 5.7%, 7.5% and 9.0%, respectively, of our total revenues during the same periods. As we invested significantly in R&D, we have developed numerous innovative technologies, including AI-powered predictive content discovery model (“PDM”), song recognition technologies and proprietary sound effects, as well as an extensive portfolio of intellectual properties, all of which contributed to our ability to drive user base growth and engagement. According to iResearch, *QQ Music* is the first in China’s online music industry to adopt an AI-powered PDM with the highest accuracy among its peers. Our award-winning proprietary audio setting, *Kugou Viper Sound*, as well as *QQ Music Super Sound* and *WeSing Super Voice* audio settings, not only bring superior sound quality and a best-in-class listening experience to users, but also foster a large, growing online community for them to share user feedback about our sound effects. See “Business — Technology and Data Capabilities” for more information about our technologies.

### OUR STRENGTHS

#### Leading Platform Creating Value for China’s Music Entertainment Industry

As the largest online music entertainment platform in China, we recognize what comes with our scale is also more responsibilities to create value for everyone in China’s music entertainment industry. We highly value our users and continuously innovate to engage them. Over the years, we focus on bringing a personalized, engaging and interactive music experience to all music lovers. In the first quarter of 2022, we served massive base of 604 million online music mobile MAUs and 162 million social entertainment mobile MAUs.

We help content creators showcase their artistry in music to the largest music community in China. Through our platform, we facilitate discovery and sharing of high-quality music and audio content. We value original works and help emerging musicians build their audience as they grow by providing them with tools to create and distribute their original works. Through innovative monetization models, we reward creativity by promoting broader industry awareness and copyright protection. Our *Tencent Musician Platform* helps musicians inspire and learn from their growing fan base and fulfill their aspirations through effective promotion, monetization and career enhancement. As of the end of 2021, the number of indie musicians on our *Tencent Musician Platform* reached 300,000.

Music is a connection to life and emotions, and encompasses great social values. We are committed to using music to inspire people to understand, care about and contribute to their communities. In June 2018, we launched our *Tencent Music Charity Program*, a program designed to pass the love and energy via music and achieve a bigger social value of music. The program is centered on an open platform and three strategies: caring for music, cultural heritage, and music education.

### **All-in-one Online Music Entertainment Destination**

TME is an all-in-one online music entertainment destination, serving diverse and evolving music and audio entertainment needs of users for every moment in their everyday lives. Through relentless content and product innovations, we elevated our platform to offer a multi-dimensional experience across discovering, listening, singing, watching, performing and socializing, thereby delivering experiences that are visual, immersive, interactive, socially engaging and fun.

***Listening and beyond.*** Users can discover and enjoy music and audio content for every moment — on your phone, in your car and more. We also offer a comprehensive range of features for users to enhance everyone’s discovery and listening experience, including superior sound effects, smart recommendations, music charts and interactive playlists.

***Connecting people through music.*** Our platform was designed with social interactions in mind. Social features such as sharing, liking, commenting, following and virtual gifting are seamlessly integrated in our products. From singing a song to watching music videos and playing a music game with friends, we immerse our users in a socialized music and entertainment experience. Users can share what they listen to, what they watch, what they create and what they think across major social platforms such as *Weixin* or *QQ*.

***Audio-to-video.*** We provide video content to bring an immersive audio-video experience to our users. We have been adding visual elements in sound tracks and audio books such as comics and surround sound. To enrich users’ experience, we also offer a vast library of music-oriented video content such as full-length music videos, short videos, behind-the-scenes footage, artist interviews, and music-focused variety shows.

By enabling an all-in-one music and audio entertainment experience, we are constantly broadening and deepening the bonding among users, content creators and us.

**Cohesive Content Ecosystem**

We want our users to easily find the content they like. Over the years, we have built a content library covering music and audio across all major genres and formats. As of March 31, 2022, we were China's largest music content library in terms of number of tracks, according to iResearch.

We work with an extensive network of content partners including domestic and international music labels, indie musicians, live streaming performers, and other content creators. We became a preferred partner to our content partners as we help them connect to China's largest online music user base, stay committed to copyright protection, and provide them with valuable insights and resources to understand user preferences and drive monetization.

With technology, we invest in in-house original content production ranging from trend-setting original songs and music-oriented short videos to variety shows. Our dedication to cultivating indie musicians and promoting their original works further drives the organic growth of our content library. Our content offerings are complemented by massive user-generated content, including millions of online karaoke songs, short- and long-form videos, live streaming of music performances, user comments, and music and audio-related reviews and articles.

This cohesive content ecosystem enables us to continuously attract more content partners, expand our content offerings, and further drive user engagement.

**Proven Monetization Capabilities**

Our multi-faceted monetization model allows us to achieve growth and profitability at scale, while consistently promoting the development of China's music industry.

We pioneered China's online music subscription model and have achieved a massive scale. Our online music paying user base grew steadily from 27.0 million in the fourth quarter of 2018 to 80.2 million in the first quarter of 2022. The paying ratio of our online music services achieved sequential growth for 13 quarters, growing from 4.2% in the fourth quarter of 2018 to 13.3% in the first quarter of 2022.

With online music subscription as the backbone of our monetization model, we have diversified monetization including virtual gift sales which are seamlessly integrated into our social entertainment services. Users can send virtual gifts to show appreciation when enjoying a live music performance, providing performers with an effective way to interact with their fans and monetize their performance.

**Innovative Technology**

We constantly create value for our users and content partners through leading technology.

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## BUSINESS

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***Technologies enhancing user experience and engagement.*** Our powerful AI technology allows us to provide smart recommendations that best match users' preferences. We have also pioneered a proprietary song recognition technology which allows users to discover a randomly heard track of music without having to know a single key word. Our proprietary song recognition technology achieved the highest accuracy rate globally. In the 2019 MIREX global competition, our song recognition technology broke the world record in the Audio Fingerprinting task with a hit rate of 90.8%. We also offer hundreds of proprietary audio settings that bring superior user listening experience, including our self-developed *QQ Music Super Sound*, *Kugou Viper Sound* and *WeSing Super Voice*. We have deployed a vocal-emotion-enabled AI reading technology to produce audiobooks, contributing to dozens of titles based on well-known literature content.

***Technologies empowering content partners.*** We use technology to help our content partners on copyrights protection and efficient promotion. For example, our real-time content monitoring system scans our platform as well as other online content platforms to detect potential copyright infringement. In addition, we continuously train and optimize our predictive algorithms, to improve efficiency in content curation, distribution and promotion and accuracy of smart recommendations. *QQ Music's* AI-powered predictive content discovery model ("PDM") analyzes trending songs and musicians and valuable insights from users' extensive discovery footprints on our platform to better understand evolving user preferences. The PDM model is able to accurately predict the popularity of music content and guide musicians to create content that truly resonates with music lovers, or enable efficient distribution of their works to gain popularity. In the MIREX competition, it set a new world record of "accuracy rate of predicting the genuine continuation of a music excerpt" at 91.6% in the *Patterns for Prediction* task.

### **Strong Management Team**

With extensive experience and industry knowledge, our management team includes pioneers and leaders in the online music and audio entertainment industry in China. With their vision, we are capable of continuously making product innovation, spearheading music copyright protection, building strong partnerships with industry participants, and establishing an extensive online music and audio content library in China. Their success is manifest in our track record of sustainable financial performance, lasting leadership, as well as our contributions to the long-term success of China's music and audio entertainment industry.

## **OUR STRATEGIES**

### **Continue Product Innovations**

We aim to relentlessly innovate our products and services to further enhance user experience and drive user engagement. We are working to build additional verticals in social entertainment such as audio live streaming and virtual interactive product offerings. We will continue to add more visual, interactive and social attributes to our products and introduce more ways for users to discover and enjoy music and audio content, interact with each other and have fun through immersive experience.

**Enrich Content Offerings**

We aim to continuously enrich our content offerings by further expanding content partner network, enhancing in-house original content production capabilities, cultivating aspiring musicians, fostering users' content creation, and exploring innovative content forms. For example, we leverage our PDM model, that enables forecasting and data mining for songs with blockbuster potential by determining intricate user preferences and analyzing melody, lyrics, voice and rhythms, to enable more cost-effective original song production. We will continue to enrich our users' experience by expanding the breadth and depth of our content to include more types, genres and formats that cater to the diverse needs of our users and provide more relevant and trendy content.

**Remain as A Preferred Partner**

We strive to extend and deepen our collaborations with partners along the value chain and further invest in technology innovation to empower the online music and audio entertainment industry. We will leverage our industry resources to help content partners reach a boarder audience base and offer more comprehensive assistance in copyright protection, content production, promotion, career training as well as commercial realization. We are also committed to making our content and products more accessible in people's everyday life. For example, we have expanded our music content coverage on IoT devices such as in-car audio systems, smart speakers and TV.

**Strengthen Monetization Capabilities**

We aim to drive user engagement by continuing to enhance products, content offerings and user experience across our platform. As engagement increases, we believe that monetization will follow. We enjoy a massive user base while the paying ratio of our online music services has further room to grow compared to the average paying ratio in the U.S. in 2021, according to iResearch. We believe there is significant monetization upside from growing our paid music user base. In addition to paid membership, we will further strengthen our monetization capabilities, including growing advertising services and diversifying monetization use cases within the social entertainment services. Building on our successful track record, we will continue to explore new monetization models that are complementary to our overall user experience.

## BUSINESS

### OUR HISTORICAL PERFORMANCE

During the Track Record Period, our revenues derive from (i) online music services and (ii) social entertainment services and others. 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)											
<b>Revenues</b>												
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	
<b>Total revenues . . . . .</b>	<b>25,434</b>	<b>100.0</b>	<b>29,153</b>	<b>100.0</b>	<b>31,244</b>	<b>100.0</b>	<b>7,824</b>	<b>100.0</b>	<b>6,644</b>	<b>1,048</b>	<b>100.0</b>	

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 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 "Summary — 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 revenue 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 has negatively impacted our users' consumption on our platform.



## BUSINESS

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 shifting 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.”

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 <sup>(1)</sup> (in millions)					
Online music services .....	653	644	622	615	604
Social entertainment services .....	240	240	203	224	162
Paying users <sup>(1)</sup> (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 <sup>(1)</sup> (RMB)					
Online music services <sup>(2)</sup> .....	8.8	9.4	8.9	9.3	8.3
Social entertainment services <sup>(3)</sup> .....	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 revenue from subscriptions only. The revenue from subscriptions for the periods indicated was 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 revenue 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, and we

strategically slowed down our investments in user acquisition. 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 additional information, see the section headed “Financial Information.”

## A UNIQUE ONLINE MUSIC ENTERTAINMENT EXPERIENCE

We have four major apps — *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 mobile apps. These apps are highly complementary to each other as they focus on different content categories and target diversified groups of audience. Over the years, we have purposely built them to serve the broad user demographics across China with content curation and recommendation that suits their differentiated tastes and preferences. Specifically, within our online music apps, *QQ Music* offers a comprehensive range of music content, focusing on popular artists and users in metropolis cities in China. In contrast, *Kugou Music* has a mass market focus which results in user penetration in broader geographies, while *Kuwo Music* primarily focuses on selected genres and segments, such as DJ mixes and children’s songs.

Set forth below are the screenshots of these major apps.

*QQ Music*



*Kugou Music*



*Kuwo Music*



*WeSing*



*Lazy Audio*



From a content library perspective, *QQ Music*, *Kugou Music* and *Kuwo Music* are substantially integrated as they share access to all of the tracks that we license from music labels. At the same time, we have a high degree of user overlap between our online music services and social entertainment services as a result of the complementary nature of our products that organically direct user traffic from our online music services to our social entertainment services, and vice versa. We also adopt a holistic approach to operate our online music services and social entertainment services in terms of content sharing, user engagement, technology development and support, and monetization.

Besides our major apps, we also offer certain ancillary products, services and initiatives designed to engage both users and content creators through diversified music formats and mediums. All of these form part of our broader music entertainment ecosystem, which essentially distinguishes us from our peers, especially those who currently offer a single music app with limited content formats and mediums. For example, we offer *5Sing*, an online service that enables lyricists, songwriters and musicians to connect, communicate and trade original music works with each other. We also offer *TME Live*, our proprietary online-and-offline music concert initiative, as well as *Tencent Musician Platform*, an online service for selected aspiring musicians to upload original music content to our platform that can be streamed and downloaded by our vast user base. Different from our major music apps which focus on serving individual users, these ancillary services and initiatives were developed to serve our large, growing network of content creators, including both established and emerging artists. Through these ancillary services and initiatives, we are able to continuously diversify our content offerings, strengthening the bonding between artists and their audience. See “— Our Content Strategies — Cultivating Aspiring Artists” for more information about *Tencent Musician Platform*. We currently do not rely on these ancillary services and initiatives to generate any material revenues or profits. However, by allowing users to listen, sing, watch and share music in different ways and in a variety of use cases, they greatly complement our major music apps and form an essential part of the all-in-one music and audio entertainment ecosystem that offers a one-stop experience to all users.

### **Online Music Services**

We deliver our online music services primarily through *QQ Music*, *Kugou Music* and *Kuwo Music*, each of which has attracted a large and avid user base. We purposely built these mobile apps to serve the different user demographics across China with music that suits their differentiated tastes and preferences. Through *QQ Music*, we offer a comprehensive music library and a broad range of music-oriented video content, with a focus on popular artists and leading hits for younger music lovers in metropolis cities in China. *Kugou Music* offers a broad set of entertainment features, with a mass market focus and strong user penetration in broader geographies. *Kuwo Music* primarily focuses on selected genres and segments, such as DJ mixes and children’s songs, to cater to users’ diverse music preferences. While maintaining complementary focuses of content curation and recommendation, *QQ Music*, *Kugou Music* and *Kuwo Music* are substantially integrated in terms of our comprehensive content library as they share access to the tracks that we license from music labels.

Users may use basic features on *QQ Music*, including streaming, without logging in. To purchase subscription packages and enjoy additional features, such as creating personal playlists,

users need to log into *QQ Music*, which requires a *Weixin* or *QQ* account. Users may register with and access our online music services on *Kugou Music* and *Kuwo Music* using their mobile phone numbers, or through their *Weixin* or *QQ* accounts.

We make enjoying music simple and fun through discovery and personalization:

- ***Listening experience and beyond***
  - *Personal homepage.* Users have their own customized homepages where they can manage their playlists and access recently downloaded and/or streamed music content. It also provides various functions, such as following artists, purchasing subscription packages, tracking activity data and changing app themes.
  - *Advanced music player.* We offer various functions to enhance user experience, such as sound quality optimization, shuffle play, day/night modes and music caching. We have also developed a variety of audio settings that fit different songs, environments, moods and output devices. Our cloud-based services enable users to synchronize their playlists on different devices. A wide selection of proprietary sound effects is at users' option, catering to their diverse music tastes and preferences. For instance, *Kugou Viper Sound* innovatively developed a three-dimensional sound effect to resemble music live, offering users a novel and fun music listening experience. For those users who prefer a simpler music listening experience, we offer *QQ Music Lite* which comes with a core set of music streaming functions with a minimalistic user-friendly interface design.
  - *Attractive video content.* To make music listening more fun, we added visual elements to our content offerings, allowing users to enjoy a visual feast while playing a song. For example, by embedding music videos in music streaming pages, we created video-based music products, further catering to the needs of users for consuming music videos and bringing in a more immersive audio-video experience. Additionally, as we deepen our collaboration with *Weixin Video Accounts*, we will continue to enrich the music video content on both TME platforms and *Weixin Video Accounts*, and our musicians are continuously benefiting from such in-depth collaboration in music promotion.
- ***Music discovery***
  - *Search.* Users can discover music content through our powerful search engine. They can search music content across playlists, music charts, artists and genres. Our award-winning song recognition tool allows users to discover a randomly heard track of music without having to know a single key word.
  - *Smart recommendations.* With our algorithms that intelligently inform us of our users' evolving music tastes, we recommend music to users as part of their search as well as through daily songs, new songs, music radios and users' favorite songs based on what they listen to. We have been improving the efficiency in content curation and accuracy of smart recommendations by utilizing deep learning and data analytics, which has resulted in a substantial increase in average daily streams and user engagements for both our online music and social entertainment services. As we expand our content library, we continue to improve our knowledge about music and

our users' preferences by refining our music metadata tagging. This allows us to further enhance our music discovery and recommendation capabilities.

- *Music charts.* Committed to promoting healthy and sustainable industry development, we have compiled a variety of music charts across different genres and languages that are widely recognized by music lovers, artists and labels.
- *Curated playlists.* We offer curated playlists covering a wide variety of genres, themes, languages and moods. We are also adapting to the preferences of younger music users by adding genres such as urban, electronic dance music (EDM), animation, comic and gaming, as well as Chinese Ancient Style. Our extensive playlist offerings include curated playlists created by our music editorial team, machine-generated playlists, and user-generated playlists. We also encourage users to create their own playlists to share, thereby further amplifying their exposure within our online music community. Our interactive playlists can be jointly built and edited by multiple users, allowing users to break through the barriers of time and place while dynamically integrating listening with social interaction.
- *Official music accounts.* Users can subscribe to their favorite official music accounts operated by both established and aspiring artists, columnists and other music industry key opinion leaders. Through their official music accounts, owners can upload and share songs, videos, literature, photos and other music-oriented content.
- ***Social experience***
  - *Facilitate interactions among friends.* Our platform delivers a superior and unique social music experience. Users can share their songs or playlists via *Weixin* or *QQ* and other major social platforms. While listening to a song, users can interact with others listening to the same song by posting and exchanging comments. They can also create their own lyrics posters and share them with friends.
  - *Help users connect with those with shared interests.* We provide users with various exciting ways to interact with their favorite artists, including enjoying digital singles and albums released by artists. As we aspire to connect people through music, our social and community-building efforts also focus on interactions among not only friends and families but also strangers with a shared passion for music. For example, we offer *Putong Community*, an innovative feature we introduced in *QQ Music*, to enable music lovers with common interests to socialize, interact and support their favorite artists. We have also launched *Putong Planet*, which allows users to swipe through visualized user profiles and interact with those who are listening to the same song. Besides, our *Leap of Heart* (樂心) function enables one user to listen to songs another user is listening to with just a simple, one-click. Furthermore, we have upgraded the synchronized listening feature in *QQ Music* to encourage interactions among friends.
  - These efforts all enable users to stay connected with their friends and even strangers through music, to discover music that is trending around them and to share music with those they care about. This in turn allows us to gain useful insight to improve music discovery and recommendations for our users.

### ***Our Long-form Audio Offerings***

We provide extensive, diverse long-form audio content offerings covering a broad range of selected genres and segments such as audiobooks, podcasts, cross talks and talk shows. In April 2020, we launched *Kuwo Changting*, our dedicated long-form audio mobile app, and have been quickly rolling out audio channels and content offerings within *QQ Music* and *Kugou Music*. As part of our long-form audio content strategy, in March 2021, we completed the acquisition of 100% equity interest of Shenzhen Lanren, which operates *Lazy Audio*, a well-established audio platform in China. In April 2021, we integrated *Kuwo Changting* with *Lazy Audio*, and re-imaged the brand *Lazy Audio* (formerly branded as *Lanren Changting* during the relevant periods). *Lazy Audio* is designed to cater to avid audio users by providing an immersive and interactive audio experience through comics and surround sound.

As we grow our long-form audio offerings, we have designed our products to unlock significant value from both music and standalone long-form audio application. This approach allows us to leverage our massive existing music user base to drive penetration of our long-form audio content offerings.

### **Social Entertainment Services**

As users are increasingly looking for a variety of entertainment that goes beyond listening to music on our platform, we offer users simple and entertaining ways to sing, watch and socialize, whether it is with a friend, a group of friends, or other users on our platform. Our music-centric social entertainment services include online karaoke social community and live streaming of music performances.

#### ***Online Karaoke Social Community***

Karaoke is a popular way of enjoying music in China, whether at a weekend party, a family event or a simple social gathering. This is what inspired us to introduce our online karaoke social community in 2014—to make it easier for users to sing and have fun with friends. Our online karaoke social community is a platform for users who want a simple stage to share their love of music and singing, or a springboard to launch their careers as the stars of tomorrow.

We deliver online karaoke services primarily through *WeSing*, China’s leading online karaoke social community, as well as the “Sing” function on *Kugou Music*. We currently offer millions of karaoke songs covering a broad range of genres, and we continue to review and update our karaoke song library to keep it fresh, current and popular. Over these years, we have continued to establish *WeSing* as a social entertainment platform with singing at its core. Our focus is to engage users by demonstrating the power of singing in socializing, celebrating and supporting our community in a meaningful way, and creating tools that deliver a more personalized and enjoyable singing experience. We currently require users to register with and access services and functions on *WeSing* using their *Weixin* or *QQ* accounts, as *WeSing* is primarily used by users to socialize with their friends on *Weixin* or *QQ* through music. Such linkage between *WeSing* and *Weixin* or *QQ* has in turn

also enriched Tencent's content ecosystem by providing *Weixin* or *QQ* users with convenient access to our content. In 2019, we introduced the *WeSing Lite* app with streamlined functionality designed to attract users who may appreciate a simpler interface.

Users can sing along from our vast library of karaoke songs and share their performances, either in audio or video formats, with friends, mostly with users already connected on *Weixin* or *QQ*. Karaoke songs recorded by users significantly augment our user-generated music content library.

*WeSing* has functions and features designed to drive user engagement, social interaction and entertainment, including:

- ***Singing features.*** Users can record their karaoke songs in audio and video formats. They can not only sing alone, but also sing duets with celebrities or other users and then make a complete song to share with their friends. Users also receive a system-generated assessment of their performance which helps them continue improving their singing. In addition, users may edit recordings of karaoke songs with a large selection of special audio and visual effects, or record songs at offline mini-KTV booths and share their performances online. To make the singing functions more accessible to mass users and improve recording performance and online singing experience, we have continuously upgraded the audio and video recording tools, including multi-genre remix, auto-tune and quick sing, making it simpler and fun for users to create and publish recordings. We have also improved the chorus functionality to allow even the shyest user to join a chorus while retaining their anonymity by not displaying their face.
- ***Virtual karaoke rooms.*** Users can create virtual karaoke rooms and invite their friends or others to join an online karaoke party anytime and anywhere. In a singing room, users can sing and interact with each other by voice and text chatting, sending virtual gifts and holding sing-offs for most likes and gifts. Our *Friend Karaoke Room* also enables families and friends to sing, chat, play and socialize, bringing the offline karaoke experience online for our users to enjoy real-time social interactions. We have also upgraded *WeSing*'s online karaoke rooms to offer a broader suite of online singing experience, including different party sizes ranging from solo and duet to small and large groups, as well as catering to different needs, such as singing-on-demand, sing along on demand, singing practice and cross-room activities.
- ***Online singing groups.*** Users can discover and join a larger online singing group of people sharing common music interests. Online singing groups provide users with a great way to create online music communities, meet new like-minded friends, improve their singing performances and have fun socializing online. We also introduced an online service model featuring on-demand vocal accompaniment. This effectively mobilizes karaoke stars on the platform with potential commercialization opportunities to reward their singing talent.
- ***Live performance.*** Users can stream their singing performance through interactive live streaming sessions where users can interact with others by chatting and giving virtual gifts.
- ***Value-added services.*** While users may access our basic karaoke functions free of charge, they can also purchase virtual gifts to send to their favorite singers and subscribe for

memberships that come with value-added functions, such as higher soundtrack resolution, additional app themes and access to singing tutorial programs.

- ***Multi-media content enrichment.*** We use full-screen videos for our user interface design on the recommendation page to make content browsing more immersive and engaging. We also enhanced the recommendation algorithms for greater content exposure and interaction experience. In turn, such technology improvements have incentivized users to publish more content, generating a virtuous cycle for users to create, publish and share content on the platform.
- ***Content creation.*** We have continued to popularize the music creation process within *WeSing*, encouraging more users to become content creators. We also provide users with a virtual stage background and avatar for video recording, as well as the option to create a personalized short video by simply recording their voices with a semi-finished video supplied by *WeSing*.

### ***Live Streaming of Music Performances***

Live music performances provide real-time interactions compared to recorded content. They can be exciting, exhilarating and engaging. Through technology, online live streaming has become an emerging entertainment alternative catering to millions of China's music lovers. This motivated us to provide a venue for performers to express themselves, share their creative work and for audiences to enjoy a completely different, interactive, music entertainment experience.

We offer live streaming of music performances primarily through the "Live Streaming" tab on *QQ Music*, *Kugou Music*, *Kuwo Music*, *WeSing*, *Kugou Live* and *Kuwo Live*. Having these multiple live streaming platforms built in our core music apps allow us to organically attract the massive online music user bases of each of our music apps to our live streaming offerings and seamlessly serve their diversified social entertainment needs for visual and interactive content. Professional artists and other performers alike can stream their singing and other performance to a vast online audience, fostering a vibrant online social music entertainment community.

We offer users the option to register with and access our live streaming services using their *Weixin* or *QQ* accounts. Alternatively, users may also register with and access our live streaming services using their mobile phone numbers, without *Weixin* or *QQ* accounts.

Our live streaming platforms cultivate an engaging and interactive environment for both the live streaming performers and the audience to create, discover, socialize and have fun together, mainly featuring the following:

- ***Music-centric live streaming content.*** Our live streaming content features a broad range of performance categories such as singing, instrument playing and DJ performances by both professional artists and other performers. Most of our live streaming users also use our online music or online karaoke services. Our data analytics and AI technology enable us to provide recommendations of relevant live streaming content based on what our users are listening to or singing on our platform. For example, when a live streaming performer



on *Kugou Live* performs a song, a message bubble pops up instantaneously on *Kugou Music* notifying users listening to the same song. This allows users to seamlessly access this performer's live streaming sessions on *Kugou Live*. As an integral part of our overseas expansion strategy, we will seek to bring our quality live streaming content to international users across geographies.

- **Music events and talent shows.** To further diversify our live streaming content offerings, we offer virtual concerts performed by professional artists as well as music events, music variety shows and fan meetings on our live streaming platforms to allow our users to support and interact with their favorite artists through various ways.
- **Social features.** Our social features make everyone a part of the show. Performers and users interact in various formats, such as voice and text chatting, video chatting, rating a performer's performance and sending virtual gifts. On our platforms, live streaming performers can engage in a variety of real-time singing and performance contests against each other, where users can send virtual gifts to their favorite performers. Users can also request to have a favorite song performed by a live streaming performer by sending a virtual gift. At any time during a live streaming session, users may choose to follow a performer they adore to receive notifications of future performances.
- **New forms of interaction.** We bolster social and young attributes by adding new forms of content such as mini live-streaming reality shows and new features such as universal duet that encourage users to interact. In the fourth quarter of 2021, we launched China's first virtual music carnival, *TMELAND*, and hosted its first online music festival on the New Year's Eve in an immersive virtual setting. At *TMELAND*, users across our different platforms can use their personalized 3D avatars to socialize with each other in a variety of digital scenarios such as virtual live streaming and virtual concerts, immersing themselves in a music entertainment experience that merges the real and virtual worlds.

We encourage our live streaming performers to sing and engage in other music performance on our platform. Our live streaming platform becomes a large stage for performers to captivate and engage audience with similar interests and easily access attractive revenue opportunities, enabling them to develop their artist image and pursue their goals of becoming popular artists. Live streaming performers on our platform include professional artists, aspiring performers as well as ordinary people who want to share their music.

We seek to establish and maintain stable, mutually beneficial relationships with live streaming performers. In particular, as part of our content strategies, we nurture promising live streaming performers and help them reach a wider audience and make a living from their performances. We provide them with performance training and promotion support to increase their exposure. Our platform further provides a differentiated way for live streaming performers to engage with their audiences and reach a larger audience base to raise their profile in the industry.

We help popular live streaming performers release new singles and albums. This not only enriches our comprehensive music content offerings but also attracts more traffic to both of our music and live streaming services, increasing user engagement and loyalty on our platform.

Live streaming performers are required to enter into a cooperation agreement with us. Such agreements generally contain provisions that require the performer to live stream on our platform

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## BUSINESS

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with typically a one-to-three-year term. We have a revenue sharing model in which the performers (and their talent agencies, if applicable) share with us a percentage of the virtual gift sales generated from their live streams.

### Other Music Services

We offer other services to drive user traffic, deepen user engagement and increase monetization. Such services primarily include (i) sales of music-related merchandise, including *Kugou* headset, smart speakers, *WeSing* karaoke microphones and Hi-Fi systems, (ii) services that help smart device and automobile makers build and operate their branded music services on their devices and vehicles, and (iii) online music event ticketing services.

In order to provide users a consistent and cohesive listening experience, we started to forge Internet of Things (IoT) partnerships with leading manufacturers of cars, smart speakers and smart watches in 2019, which provided further channels for user acquisition. As a new music content consumption channel, IoT enhances our ability to effectively roll out and promote new music content to a wider audience in a broader set of use cases in users' daily lives, making our services more accessible and more convenient to our users. We also expanded our coverage of a broader set of music usage scenarios, integrating with smart speakers, in-car audio systems and TV and making inroad in the public performance market.

### OUR CONTENT

We are dedicated to building the most comprehensive and up-to-date content library covering our users' favorite music and audio content across both genres and formats.

### Diverse Music and Long-Form Audio Content Library

We offer a diverse range of professional as well as user-generated recorded and live music content and long-form audio content across various formats. This content generally spans five different types:

- **Songs.** We have China's most comprehensive music library, according to iResearch, with over 90 million music tracks in total as of December 31, 2021.
  - Features songs performed by both established and aspiring artists in China and around the world.
  - Underpinned by a comprehensive original content production system leverages our technology capabilities and deep understanding of music as well as internal and external resources to systematically create, evaluate and promote music.
  - Represents a variety of themes such as latest top hits, internet hits, time favorites and movie soundtracks.
  - Covers a broad range of music genres, including pop, rock, indie, hip hop, R&B, classical, jazz and electronic music in various languages including Mandarin, Cantonese, English, Korean and Japanese.

- Categorized by listening habits, settings and moods, such as workout, travel, study and work, relaxation and many more.
- Adapts to the preferences of younger music users by covering a wide range of genres such as urban, EDM, animation, comic and gaming, as well as Chinese Ancient Style.
- ***Live streaming of music performances.*** Professional artists along with aspiring and other performers stream music and other performances in real time to our online audiences. These live streams allow users to experience and enjoy live music performances and interact with the performers in a variety of ways. Additionally, we offer live streaming of more professionally organized online concerts and music events for more established artists.
- ***Recorded video and audio.*** Various recorded music-oriented video content, such as full-length music videos, short videos, both professionally- and user-generated, behind-the-scenes footage, artist interviews, music-focused variety shows and music awards shows, as well as audiobooks, podcasts and talk shows covering a diverse set of topics on children, education, history, and humanity, among other things.
- ***Karaoke songs.*** Millions of online karaoke songs and the related user comments, which further expand the breadth of our music content offerings, enhancing our user experience and engagement.
- ***Reviews and articles.*** We supplement our music content offerings through an enormous library of reviews and articles about music and artists, written or curated by our in-house editorial team. We place links to the featured music in the articles to provide users with even more choices of content.

### **Our Content Strategies**

#### ***Partner with Music Labels and Leading Industry Players***

Currently, we focus on licensing top hits and premium content from major domestic and international music labels for a broad audience base. All the tracks that we license from music labels are generally available to users across our online music apps and, to the extent permitted by the terms of our licensing agreements with the licensors, our social entertainment products, except under certain circumstances where the artists or rights owners require us to publish their content under specific subscription packages or in a specific format. See “– Content Sourcing Arrangements.”

Given the reach of our platform and our ability to help users discover music, we have become one of the most preferred and effective platforms for music labels and artists to gain exposure to and gauge the popularity of their music with their audience base. Over the years, we have developed long-term relationships with a broad range of music labels including major domestic and international labels that provide us valuable opportunities to collaborate on new album releases, music events and other initiatives. We also collaborate with established artists and major music labels to promote and release digital albums for our massive user base.

We are continuously diversifying across content type, genres and formats on our platform. Additionally, while broadening our offering of copyrighted music, we have also been working closely with industry participants, artists and other partners to create and produce more differentiated content, and co-produced dozens of chart-topping songs across gaming, film, literature and comic categories.

We also seek to deepen our partnerships with the broader Tencent ecosystem to create new music entertainment experiences and content. For example, in 2021, we deepened collaboration with *Weixin Video Accounts* in order to enrich the music video content on both our platforms and *Weixin Video Accounts* and leverage *Weixin* to expand our promotional capabilities. Additionally, users may send songs from our music library directly to their friends on *Weixin*, or update their *Weixin* status when they sing or finish a recording on *WeSing*, sharing the experience with their *Weixin* friends.

### ***Enhance In-House Original Content Development Capabilities***

We continue to invest in original content production to meet user demands for diverse forms of music entertainment. We have established a comprehensive set of original content production capabilities that leverage our technology capabilities and deep understanding of music as well as internal and external resources to systematically create, evaluate and promote music. Our *5Sing* platform, for instance, has become a vibrant online community for lyricists, songwriters and musicians to pair, communicate and trade, and together they contribute to more captivating original music content. We also leverage our proprietary PDM model, that enables forecasting and data analytics for songs with blockbuster potential by determining intricate user preferences and analyzing melody, lyrics, voice and rhythms, to enable more cost-effective original song production. See “— Technology and Data Capabilities — Technology” for details. Furthermore, we have developed a number of content promotion tools that integrate our internal and external promotion resources, providing a one-stop service to help artists and songs reach the targeted audience and gain popularity. Powered by these advanced tools and technologies, our artists have created quality and popular works, serving a wide range of users’ tastes and adding a great complement to our content library.

### ***Cultivate Aspiring Artists***

We are not just a platform for established artists but also one for discovering and cultivating rising music talents. We provide opportunities for newer generations of aspiring artists to fulfill their ambitions to sing and perform by supporting them in areas such as content curation, marketing, promotion, monetization and career training. We are proud to have promoted the singing careers of many new music stars who got their start on our platform. We also work closely together with music labels to identify and cultivate aspiring artists on our platform.

Cultivating original works and enriching the indie musician ecosystem through our *Tencent Musician Platform* leads to our content differentiation. *Tencent Musician Platform* is our online service for selected aspiring musicians to upload original music content to our platform that can be streamed and downloaded, demonstrating our strong capability in incubating talented musicians and bringing their original works to hundreds of millions of music lovers in China. We support our indie

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## BUSINESS

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musicians with useful tools and collaborative opportunities to realize their full potential, and create, grow, engage and monetize their art and audience base. We do this in part by providing them access to valuable resources, from song production and domestic and overseas promotion, all the way to artist and repertoire development, incentive plans, performance resources, copyright protection and career training. For example, the theme song of our *QQ Music*'s 2021 year-end music review, for which we managed the entire production, release and promotion process, achieved over 20 million first-day streams, setting a streaming debut record within the indie musician category. In 2021, we also introduced a feature that allows artists to easily publish video content simultaneously across various TME and Tencent platforms, such as Weixin Video Accounts, *QQ Music*, *Kugou Music*, *Kuwo Music* and *WeSing*, making it easier for musicians to reach a broader audience. We believe these attractive cross-platform opportunities differentiate us from other online music platforms.

*Tencent Musician Platform* has also established the sustainable and diverse monetization models for musicians and the industry. In 2021, we launched an upgraded *100 Million Yuan Incentive Plan*, which incentivizes eligible musicians to collaborate with us in music creation, as well as provide comprehensive incentive mechanisms to help high-quality content and artists gain exposure across our platforms.

Our ongoing support to indie musicians resulted in a growing number of indie musicians on our platform. By the end of the fourth quarter of 2021, the number of indie musicians on the *Tencent Musician Platform* reached 300,000.

### ***Foster Users' Content Creation***

To further extend the breadth of our content offerings, we allow users to upload content in the forms of karaoke songs, live streaming performance, short-and long-form videos and other formats of music-oriented content. This user-generated music content further engages users and enhances their experience, both as content creators and as audience.

We leverage our data analytics and AI technologies to recommend content generated by karaoke singers and live streaming performers to help increase their exposure.

Furthermore, we added additional video and long-form audio formats to our content offerings and continued to launch social media initiatives and additional lite versions of our apps to attract a broader group of users. We also developed innovative ways for users to enjoy personalized content by consistently improving our music content tagging process and analyzing our platform's data repository to better fulfill users' music tastes and preferences. We believe that all of these initiatives are strategic, long-term investments that will improve our user experience, attract more customers to contribute to more user-generated content on our platform, driving a virtuous cycle for sustained growth and monetization.

### ***Explore Innovative Content Forms***

We constantly innovate brand-new forms of content that our users love. For example, we leverage *TME Live* to create new online-merge-offline music scenarios. In terms of its efforts online,

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## BUSINESS

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*TME Live* held 56 diverse live performances throughout 2021, including the *2021 Tomorrowland*. *TME Live*'s series of electronic music performances sponsored by e-commerce, automotive and other advertisers, helped brand owners dynamically resonate with users and maximize their brands' emotional impact, while simultaneously fostering new business models. *TME Live* collaborated with the *Tencent Musician Platform* to showcase live performances in key cities via the *2021 Force Stage Plan*, offering talented musicians the chance to participate in nationwide tours to reach a broader audience both online and offline.

In addition, in the fourth quarter of 2021, we launched China's first virtual music carnival, *TMELAND*, and hosted its first online music festival on the New Year's Eve in an immersive virtual setting. Participants flocked to the event to party virtually with their friends and world-renowned DJs such as Vicetone, Luminn and DEXTER KING in the form of brand-new 3D avatars. With personalized 3D avatars, users across our different platforms such as *QQ Music*, *Kugou Music* and *Kuwo Music* can socialize with each other in a variety of digital scenarios such as virtual live streaming and virtual concerts, immersing themselves in a music entertainment experience that merges the real and virtual worlds.

### Content Sourcing Arrangements

Content is the foundation of our platform. We license from, and pay royalties to, the following major rights holders to obtain the vast majority of the music content offered on our platform.

- ***Music labels and music copyright owners***
  - We have strong partnerships with a wide range of music labels and other copyright owners. We license musical recording rights and/or music publishing rights underlying music content mainly on terms ranging from one to three years from domestic and international music labels.
  - We pay for music labels for licensed music content based on licensing fee and revenue-sharing incentive royalties. Under such fee arrangements, the amounts of licensing fees and incentive royalties depend on multiple factors including the type of content, the popularity of the performers, as well as our relationships with the licensors. Payments under the licenses are generally made in installments throughout the duration of the licenses.
  - Our licensing agreements with music labels and music copyright owners are on a non-exclusive basis.
  - We have arrangements with other online music platforms in China to cross-license our respective licensable rights in musical works. We believe these arrangements benefit not only particular market players like us, but also the industry at large by increasing cooperation in copyright protection and allowing users to access more songs across different platforms.
  - The licensing agreements will specify whether we have the right to sublicense the content we source from music labels and copyright owners.
  - Our licensing agreements with music labels and copyright owners generally expire upon the end of the term, which typically range from one to three years, unless

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## BUSINESS

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otherwise terminated earlier pursuant to the relevant provisions in certain circumstances, such as a material breach of contract.

- ***Individual artists***

- We also enter into licenses with individual artists or their agencies to bring a broader and more diverse range of content offerings on our platform. See “— Our Content Strategies — Cultivate Aspiring Artists” for more information about *Tencent Musician Platform*, an online service designed to nurture aspiring individual artists.
- We typically pay these individual artists performance-based licensing fees. We may also make prepayments and/or pay fixed content fees to certain individual artists, depending on various factors including their historical performance and popularity among users.
- The licensing agreements between us and individual artists are either on a no more than three years’ exclusive basis, or on a non-exclusive basis.
- Subject to the contract terms with specific individual artists, we may sublicense the relevant individual artists’ content to other parties.
- The agreements between individual artists and us generally expire upon the end of the term, which is typically three years, unless otherwise terminated earlier pursuant to the relevant provisions in certain circumstances, such as a material breach of contract.

- ***Live streaming performers and their agencies***

- User-generated content from live streaming performers (and their talent agencies, if applicable) is covered by revenue-sharing arrangements, under which they are entitled to a percentage of the revenue generated from sales of virtual gifts attributable to their performance on our live streaming platforms. Payment to live streaming performers (and their talent agencies, if applicable) is typically settled periodically. We generally seek to maintain the revenue sharing ratio at a level that we believe is comparable to those of our peers in the industry. According to iResearch, such revenue-sharing arrangements with live streaming performers on our platform (and their talent agencies, if applicable), including the revenue-sharing ratios, are generally in line with industry norm.
- Our agreements with live streaming performers (and their talent agencies, if applicable) will specify certain qualitative and quantitative requirements that they must meet in order to be entitled to their share of the revenue.
- Live streaming performers (and their talent agencies, if applicable) own the intellectual property rights of the live streaming content they create, and we are permitted to use such content on our platforms pursuant to our agreements. In addition, users uploading user-generated content on our platform typically agree to grant us the associated copyright of such content. For additional details concerning our copyright protection with respect to user-generated content, see “– Intellectual Property – Copyrights” and “Risk Factors – Risks Related to Our Business and Industry – 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.”

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## BUSINESS

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- Our agreements with live streaming performers or their agencies are either on an exclusive or non-exclusive basis.
- Our agreements with live streaming performers (and their talent agencies, if applicable) generally expire upon the end of the term, which usually ranges from one to three years, unless otherwise terminated earlier pursuant to the relevant provisions in certain events, such as a material breach of contract.

### HOW WE GENERATE REVENUES

We generate revenues primarily from (i) online music services and (ii) social entertainment services and others.

#### Online Music Services

Our revenues generated from online music services were RMB7,152 million, RMB9,349 million, RMB11,467 million and RMB2,616 million (US\$413 million), accounting for 28.1%, 32.1%, 36.7% and 39.4% of our revenues in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively.

#### *Paid Music and Audio Content*

Currently, we offer users subscription packages across our *QQ Music*, *Kugou Music* and *Kuwo Music* products to access our content. Our basic subscription packages are priced at RMB8 per month for a fixed amount of downloads per month of our music content offerings and access to certain pay-for-streaming content. Users may also subscribe for our premium memberships at a price ranging from RMB15 to RMB18 per month to access a different combination of add-on features and privileges including additional personalized app themes and avatar designs, more sound effects that enhance listening experiences, and faster streaming and download speed. We also offer discounts on the subscription packages, as well as certain privileges and benefits that are only available to paying users, to encourage user spending and paying user conversion and retention on our platform.

In the first quarter of 2019, we launched the “pay-for-streaming” model where selected songs are made available only for streaming (as opposed to streaming and downloading) by paying users during the term of the subscription. We believe the adoption of the pay-for-streaming model has since been driving the number of paying users and paying ratio of our online music services. We will continue to implement effective monetization measures as we nurture users’ willingness to pay for premium music content.

In addition to monthly subscription, we also allow users to stream and/or download singles and albums on a paid on-demand basis. Songs were first released on our platforms are available for streaming and/or downloading within a given “promotion” period after the release only by the users who have purchased those songs, and the songs will be made available under the pay-for-streaming model when the promotion period expires under this model.



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## BUSINESS

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Furthermore, we also offer users subscription packages to access our audio content at *Lazy Audio*. Paying users on our *Lazy Audio* platform are granted free, unlimited access to certain popular and carefully curated audio content during the subscription period. We also offer our paying users a variety of other privileges and benefits, including priority access to certain audio content and discounts on audiobooks.

### ***Advertising Services***

We offer various advertising services to advertising customers across our platform. Our advertising offerings mainly include full-screen display ads that automatically appear when a user opens our mobile apps and industry standard banner ads of various sizes and placements on the interfaces of our platform.

### **Social Entertainment Services and Others**

Our revenues generated from social entertainment services and others were RMB18,282 million, RMB19,804 million, RMB19,777 million and RMB4,028 million (US\$635 million), accounting for 71.9%, 67.9%, 63.3% and 60.6% of our revenues in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively.

Users are attracted to our online karaoke and live streaming platforms primarily by engaging music performances from our online karaoke singers and live streaming performers. We generate revenues from online karaoke and live streaming services primarily from sales and consumption of virtual gifts, including consumable, time-based and durable virtual items. Consumable virtual items are mainly used as gifts sent to online karaoke singers and live streaming performers by the audiences as a way for them to show support and appreciation for the performance. During the live streams, special visual items, such as diamond rings or cars, will be displayed on the screen when these gifts are sent to the singers or performers. Users may also send virtual gifts to online karaoke performers if he or she likes the recordings uploaded by the performers. We also offer users the option to purchase virtual items which provide them with certain privileges or recognized status over a period of time, such as badges displayed for a certain period of time on the users' profile pages. While purchasing and using these virtual gifts is not a prerequisite for using the features in our products, it provides a way for users to participate in online karaoke and live streaming, which drives user engagement and loyalty.

In addition to virtual gift sales, we also generate revenue from online karaoke and live streaming services through sales of premium memberships and other monetization models. For online karaoke, users can subscribe for memberships to include higher soundtrack resolution and access to video clips of vocal tutorials. For live streaming, selected live streaming performers can produce and sell their own digital albums through our platform if they share a portion of their revenues with us. Revenues generated on our platform are shared with our karaoke singers and live streaming performers or their agents, typically based on a percentage of the revenue generated from the sales of virtual gifts attributable to their performance. Furthermore, similar to the advertisements displayed on our online music apps, we offer various advertising services across our online karaoke platform.

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## BUSINESS

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Moreover, we generate revenues from sales of music-related merchandise, including *Kugou* headsets, smart speakers, *WeSing* karaoke microphones and Hi-Fi systems.

### BRANDING, MARKETING AND SALES

The focus of our marketing efforts is to further strengthen our brands, including *QQ Music*, *Kugou Music*, *Kuwo Music*, *WeSing*, and *Lazy Audio*, and to expand our entertainment ecosystem to connect more users, artists and content providers. We aim to deliver best-in-class entertainment content and services in order to garner strong word-of-mouth referrals and enhance our brand recognition.

We primarily rely on word-of-mouth referrals and benefit from our strong brands to attract users to our platform. We also engage in diverse marketing activities both online and offline to enhance brand awareness. Specifically, our marketing campaigns increase platform traffic through search engine marketing and social media. Moreover, we host or participate in various forms of music-related events and activities to further boost our brand recognition, such as cooperation with established artists, singing competitions, TV and internet music talent shows, music festivals, campus campaigns, artist tours and fan events, to enhance our brand recognition. We also continue to deepen our presence into schools and college campuses through online and offline activities such as on-campus competitions and graduation ceremonies.

We continue to implement new technologies, introduce new features and tools, as well as improve user experience in order to encourage users to access our platform more frequently and for longer periods of time, and ultimately to increase our monetization efficiency on our platform. We also use direct marketing tools deployed through our platform interfaces to convert our users into paying users.

### CONTENT MONITORING

We are committed to complying with the applicable laws and regulations regarding the provision of content through the internet. We leverage our technology to implement procedures to monitor and remove inappropriate or illegal content from our platform. Text, images and videos are screened by our content monitoring team, aided by systems that periodically filter our platform. For example, our video recognition technology enables us to effectively monitor live streaming for content violations. We have also developed an effective copyright infringement monitoring system that detects potential copyright infringement by other platforms or our users. We have also adopted various public reporting channels to identify and remove illegal or improper content. Our legal team may also take further actions to hold the content creators accountable for any illegal or inappropriate content.

We focus on the monitoring and screening of user-generated content. We require live streaming performers and users to register on a real-name basis to upload content to our platform and require them to agree not to distribute content in violation of any third-party rights or any applicable laws or regulations. 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

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## BUSINESS

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detail 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 machine screening in order to identify and remove any illegal or inappropriate content in accordance with applicable laws and regulations, as well as any content that violates 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 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 likelihood of being held liable for copyright infringement as a result of distributing infringing content on our platform. See “– Intellectual Property – Copyright.”

Due to the massive amount of content displayed on our platform, we may not always be able to promptly identify content that is illegal, improper or may otherwise be found objectionable by the regulatory authorities. See “Risk Factors – Risks Related to Our Business and Industry – 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.”

## TECHNOLOGY AND DATA CAPABILITIES

### Technology

We focus on continuously improving our technology to deliver superior user experience and enhance our operational efficiency. Over the years, we have been innovating and improving our technologies to help users discover and enjoy content and help artists find their target audience and realize greater value.

We have a large dataset and we devote substantial resources to analyzing data in order to obtain useful insights into our users’ music entertainment and social behaviors. We believe our technology will allow us to better understand and respond to user preferences, deliver a superior user experience, and further differentiate our services from our competitors.

- ***Search and discovery engines.*** We provide users with a quality and fun music entertainment experience by leveraging our powerful music search and discovery engines underpinned by strong data analytics capabilities. This not only helps users discover and enjoy music content more easily, but also guides artists to find target audience and realize greater value. At TME platforms, we not only allow users to search for their desired music content in our massive library with high accuracy and relevancy, but also use advanced proprietary technologies to curate and distribute music content catering to their specific tastes and interests. For example, according to iResearch, *QQ Music* is the first in China’s online music industry to adopt an AI-powered predictive content discovery model (the “PDM”) with the highest accuracy among its peers. Using the proprietary deep learning content value assessment algorithms, the PDM is capable of predicting the next hit song

by analyzing recent popular music trends and user preferences for precise content discovery and distribution to interested users. The extraordinary performance of the PDM was recognized by the MIREX, a global benchmarking event that examines state-of-the-art music information retrieval approaches. In the MIREX 2020 competition, *QQ Music's* PDM set a new world record of “accuracy rate of predicting the genuine continuation of a music excerpt” in the *Patterns for Prediction* task.

In addition, we also pioneered the song recognition technology in China using advanced audio fingerprinting technology. This cutting-edge technology is capable of automatically recognizing any song embedded in a short video clip or surrounding within seconds. Complementary to our powerful music search engines, the intelligent song recognition technology enables users to discover a randomly heard track of music without having to know a single key word to start a search. This, combined with the smart recommendations for music of similar genres, types and artists, offers users a quality and fun music discovery experience, thereby effectively improving user loyalty. According to iResearch, our song recognition technology has the highest accuracy rate globally, which was evidenced by numerous awards and recognitions. In the 2019 MIREX global competition, our song recognition technology broke the world record in the *Audio Fingerprinting* task.

We have been continuously improving our efficiency in content curation and accuracy of search and discovery engines, which we believe has resulted in a substantial increase in average daily streams and user engagements for our services.

- ***User-experience enhancements.*** We offer a variety of sound effects to enhance our users’ listening experience. Our award-winning proprietary audio setting, *Kugou Viper Sound*, as well as *QQ Music Super Sound* and *WeSing Super Voice* audio settings, not only bring superior sound quality and a best-in-class listening experience to users, but also foster a large, growing online community for them to share user feedback about our sound effects. In addition, we provide various special visual effects and camera filters to users recording videos on our platform. Our technology makes our products a part of everyday life, such as our *QQ Music Running Station* that recommends music to match a jogger’s running tempo. In 2021, for *WeSing*, we introduced an immersive chorus accompaniment sound effect, to mimic a large-scale graduation ceremony, as well as a multi-dimensional scoring system to sharpen our recording tools. These improvements have led to a more enjoyable user experience while recording songs, which in turn spurs increased engagement among users. Additionally, as part of our overall videolization initiatives, we have built and continue to optimize our shared middleware and architecture, which is crucial to our ability to further enhance video content offerings across our platforms.
- ***Innovative use cases of cutting-edge technologies.*** In order to bring users a more immersive, vivid, and smooth listening experience, we have deployed a vocal-emotion-enabled AI reading technology to produce audiobooks, contributing to dozens of titles based on well-known literature content such as *Battle Through the Heavens*. Additionally, we endeavor to use the state-of-the-art virtual reality technology to offer a brand-new, immersive music entertainment experience. In the fourth quarter of 2021, we launched China’s first virtual music carnival, *TMELAND*, and hosted its first online music festival on the New Year’s Eve in an immense virtual setting. At *TMELAND*, users across our different platforms such as *QQ Music*, *Kugou Music* and *Kuwo Music* can use their personalized 3D avatars to socialize with each other in a variety of digital scenarios such

as virtual live streaming and virtual concerts, immersing themselves in a music entertainment experience that merges the real and virtual worlds.

### Data Security and Privacy

We believe data security is critical to our business operation. We have adopted and implemented comprehensive internal rules and policies to govern how we may use and share personal information, as well as a robust suite of protocols, technologies and systems in place to ensure that such information will not be accessed or disclosed improperly. Specifically, we have established privacy policies across our platforms, including *QQ Music Privacy Protection Guidelines*, *Kugou Music Privacy Policy*, *Kuwo Music Privacy Policy* and *WeSing Privacy Protection Guidelines*. These privacy policies provide guidance on the type of personal information we collect, how we use, share and protect users' personal information, and users' privacy rights under applicable laws. In particular, we only collect personal information to the extent necessary to enable us to provide our services in compliance with applicable laws and regulations. All users must acknowledge the terms and conditions of the user agreement, including our privacy policies, before using our products and services.

From an internal policy perspective, we have established a comprehensive suite of platform-wide policies and procedures, including *TME Data Security Management Protocols* and *TME User Information Security Management Protocols*, to guide our data security and privacy protection practices:

- *Data collection.* We collect user data only to the extent necessary for our product functions and services upon receipt of the consent from our users. For example, we collect certain basic information, such as QQ or Wexin account number or phone number, for user account registration and verification purposes. To enable precise content curation and distribution to offer superb music discovery experience, we may access and analyze users' playlists and listening history on our platforms. In the event that users purchase any paid music and audio content, or music-related merchandise, users need to provide certain personal information, such as name and address, to facilitate the transactions. We notify users of the types, potential uses, duration of data preservation and users' rights, among other things, with respect to the data we collect from them.
- *Data usage.* We fully disclose the potential uses of personal information and data that we collect from users in our privacy policies. In the event that we need to use the personal information and data for purposes other than as disclosed in the privacy policies, we will notify the users and seek their explicit consent before we proceed.
- *Data protection.* We limit access to our servers that store our user and internal data on a "need-to-know" basis. We also adopt an advanced data encryption system designed to ensure the secured storage and transmission of data, and prevent any unauthorized member of the public or third parties from accessing or using our data in any unauthorized manner. Furthermore, we implement comprehensive data masking of user data for the

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## BUSINESS

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purpose of fending off potential hacking or security attacks. In addition, we have adopted an incident response plan, which provides a well-defined, organized approach for handling any potential threat to servers and data, as well as taking appropriate actions when the data breach concerns personal information. We provide group-wide regular trainings to our employees that focus on cybersecurity awareness topics critical to our business operations, including the best practices to protect data from loss, modification, leakage or theft.

- *Data storage and retention.* We require that personal information and data we collect in China be stored and preserved within China. While we only preserve user data to enable our product functions and services, users have the option to delete their personal information generated when using our products and services, such as listening history and playlists. Upon termination of our products or services, we will destruct or anonymize user data that we collect within a reasonable period in compliance with applicable laws and regulations.
- *Data transmission.* Subject to certain exceptions specified in our privacy policies, transmission of any personal information and data that we collect with our users without their explicit consent is prohibited. For certain services that are jointly provided by our business partners, including Tencent and its associates, and us, we may share the relevant personal information and data with such business partners to the extent necessary to enable our services and improve user experience. We take extensive precautionary measures to ensure the integrity and security of data in transit to our business partners. These measures may include (i) requiring our business partners to handle the personal information and data we transmit in accordance with our standards, requirements and protocols, including providing the same level of protection, (ii) requiring our business partners to deliver written confidentiality undertakings before any data is transmitted, (iii) obtaining internal approval from the personnel in charge of data security, (iv) requiring our business partners to return or delete the personal information and data that we transmitted after the termination of services, and (vi) preserving the review log for future inspection.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data. As a result of the internal rules and policies, during the Track Record Period and up to the Latest Practicable Date, we were in compliance in all materials aspects with regulatory requirements in respect of data security and privacy.

## 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

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## BUSINESS

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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.

We are currently not subject to any risk of concentration of content suppliers and we do not rely on any single content supplier to procure content. We believe our scale and market position have made us a preferred partner for a wide variety of content suppliers, which significantly helps minimize any risks of termination of contract by any individual content supplier. We maintain long-term relationships with our key content partners including both music labels and other content providers such as talent agencies managing live streaming performers.

We have adopted multiple internal control measures to further mitigate the risks of termination of contract by content suppliers. For example, we have adopted specific standards and parameters when selecting content suppliers to ensure their diversity in terms of size, geographic location, content type and genre and target audiences while to minimize concentration to a limited number of content suppliers. In the form of agreement that we enter into with content suppliers, we have included terms that give us the rights to seek remedial measures if the content suppliers commit material breach of their obligations. We also have internal rules and procedures in place that require designated personnel to follow up closely with content suppliers to identify quality or performance problems as they arise and proactively plan and negotiate contract renewal.

## INTELLECTUAL PROPERTY

### Copyrights

We are committed to copyright protection and we strive to continue playing a leadership role in improving China's music and audio copyright environment.

We take various measures to ensure content offered on our platform does not infringe upon copyrights of third parties. Once it is licensed, we closely monitor copyrighted content on our platform for compliance with the scope of the licenses and therefore to attempt to detect and remediate infringement of third-party copyrights on our platform in a timely manner. We also seek additional contractual protection from the agreements between us and the content creators or licensors. For example, we typically require the licensors to represent in the licensing agreement that they have the legitimate right to license the content and require them to indemnify for losses arising from any claims of infringement or violation of laws and regulations. With respect to user-generated content, we also rely on the safe harbor provision for online storage service providers under PRC copyright laws and regulations, and we have adopted measures intended to minimize the likelihood that we may be held liable for copyright infringement as a result of distributing user-generated content on our platform. Such measures include (i) requiring users to acknowledge and agree that they will not upload or perform content which may infringe intellectual property rights, (ii) restricting users on our blacklists from uploading or distributing content, (iii) using best

reasonable efforts to seek licenses from the relevant copyright owners once they are identified and verified and adopting contractual protections for works licensed from labels and other copyright owners; and (iv) implementing “notice and take-down” policies to be eligible for the safe harbor exemption for user-generated content. According to the PRC Legal Adviser, to the extent these measures, especially the “notice and take-down” policies, are properly implemented in compliance with applicable laws and regulations, our failure to obtain complete copyright licenses for user-generated content does not constitute a violation of current PRC copyright law.

We also actively enforce our rights against third-party platforms that infringe upon our content rights, using a combination of human and machine monitoring to detect unauthorized use of copyrighted content on other platforms. More specifically:

- **Monitoring.** Leveraging our advanced audio and video fingerprinting technology and massive data base, we are able to continuously screen and identify infringing content displayed on third-party platforms in China.
- **Enforcement of our rights.** When our system identifies an infringing use of our content on a third-party platform, our system automatically generates an alert email to our legal and copyright protection personnel, which promptly serves a take-down notice to the infringing platforms requesting that the infringing content be removed. Following the take-down notice, our legal and copyright protection personnel will review the relevant evidence and initiate the removal procedures to ensure timely removal of infringing content, and they may also file complaints with the National Copyright Administration or initiate legal proceedings.
- **Follow-up.** Once a take-down notice is served or a legal proceeding initiated, our copyright system starts to track the relevant platforms to check if the infringing content has been timely removed.

### Other Intellectual Properties

In addition to copyrights of our content, other intellectual properties are also critical to our business. We rely on a combination of patent, copyright, trademark and trade secret laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our intellectual property rights. As of March 31, 2022, we had applied for the registration of 4,063 patents, among which 2,308 patents have been granted by the National Intellectual Property Administration and overseas. One of our patents has been recognized with the Nineteenth China Patent Award by the National Intellectual Property Administration and one of our patents has been recognized with the Twenty-second China Design Award by the National Intellectual Property Administration. In addition, one of our patents has been recognized with the Eighth Guangdong Patent Silver Award by the People’s Government of Guangdong Province. As of the same date, we had applied for 5,385 trademarks, among which 3,410 had been registered with the Trademark Office of the National Intellectual Property Administration and overseas. We had also registered 552 software copyright with the Copyright Protection Center of the PRC. Our “酷狗” (*Kugou*) trademark has been recognized as a well-known trademark by the Beijing Higher People’s Court.

Despite our efforts to protect ourselves from infringement or misappropriation of our intellectual property rights, unauthorized parties may attempt to copy or otherwise obtain and use



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## BUSINESS

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our intellectual property in violation of our rights. In the event of a successful claim of infringement against us, or our failure or inability to develop non-infringing intellectual property or license the infringed or similar intellectual property on a timely basis, our business could be harmed. See “Risk Factors — Risks Related to Our Business and Industry — Failure to protect our intellectual property could substantially harm our business, operating results and financial condition.”

### EMPLOYEES

Our ability to recruit and retain qualified employees is critical to our continued success. As of March 31, 2022, we had 6,015 full-time employees. Substantially all of our employees are based in China. The following table sets forth a breakdown of our full-time employees by function as of March 31, 2022.

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage (%)</u>
Research and development .....	2,924	48.6
Content management and operation .....	1,763	29.3
Sales and marketing .....	537	8.9
Management and administrative .....	<u>791</u>	<u>13.2</u>
<b>Total</b> .....	<u><u>6,015</u></u>	<u><u>100.0</u></u>

We enter into employment contracts with our full-time employees, which contain standard confidentiality and non-compete provisions. In addition to salaries and benefits, we provide performance-based bonuses for our full-time employees and commission-based compensation for our sales and marketing force.

As required by relevant PRC laws and regulations, we participate in various employee social security plans that are organized by municipal and provincial governments for our PRC-based full-time employees, including pension, unemployment insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to make contributions from time to time to employee benefit plans for our PRC-based full-time employees at specified percentages of the salaries, bonuses and certain allowances of such employees, up to a maximum amount specified by the local governments in China.

We believe that we maintain a good working relationship with our employees, and we had not experienced any material labor disputes as of the Latest Practicable Date. None of our employees is represented by labor unions.

### COMPETITION

We compete for users and their time and attention mainly with other online music and audio entertainment providers in China. We also face general competition from online offerings of other forms of content, including long- and short-form videos, karaoke services, live streaming, radio

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## BUSINESS

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services, literature, and games provided by other online service providers. We compete to attract, engage and retain users based on a number of factors, such as the diversity of content, product features, social interaction features, quality of user experience, brand awareness and reputation. Some of our competitors may have greater financial, marketing or technology resources than we do, which could enable them to respond more quickly to technological innovations or changes in user demands and preferences, license more attractive content, and devote greater resources towards the development, promotion and sale of products than we can. For a discussion of risks relating to competition, 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.”

### INSURANCE

We do not maintain any liability insurance or property insurance policies covering our equipment and facilities for injuries, death or losses due to fire, earthquake, flood or any other disaster. We do not maintain business interruption insurance, nor do we maintain key-man life insurance.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

#### Environmental Sustainability

As we stay committed to sustainable development of the music industry, we also strive for long-term environmental sustainability. Our primary environmental sustainability efforts include:

- ***Building green low-carbon workplaces.*** We are committed to reducing our environment footprints. Our impact on the environment is mainly associated with the consumption of electricity, water and paper in our daily office activities. We have undertaken a variety of initiatives to improve our energy consumption efficiency and build a green, low-carbon workplace. For example, we strictly control the use of printing paper in all workplaces and encourage employees to print double-sided when possible using recycled paper. We also post water conservation stickers, signs and posters in bathrooms, cafeterias and other places where employees congregate. Our physical office spaces in Shenzhen, Beijing, Guangzhou and other Chinese cities are in compliance with applicable work safety and environmental protection standards.
- ***Maintaining energy-efficient data centers.*** We lease our data centers from third parties. When choosing data centers, we take into account a variety of environmental factors, such as energy use, efficiency improvement and greenhouse gas emission. We require that appropriate environmental management system certification, such as the national environment management system GB/T24001 and the international environment management system ISO14001, should be obtained for each data center.
- ***Collaborating with stakeholders.*** We are committed to engaging stakeholders and the broader public in our environmental sustainability efforts. For example, we collaborate with the Ministry of Natural Resources of the PRC and the World Wide Fund for Nature, the world’s leading conservation organization, to offer educational activities designed to arouse public awareness in biodiversity protection through music.

**Social Responsibility**

We are dedicated to fulfilling our responsibilities as a corporate citizen and leveraging our market position to create a lasting positive impact on China’s online music industry.

- ***Multi-party cooperation.*** Leveraging our market position, we collaborate with a wide array of stakeholders to promote innovations, copyright protection and the long-term sustainable development of China’s music industry. For example, in December 2020, we signed a strategic cooperation framework with the Shanghai Conservatory of Music to join efforts in nurturing music talents. We are also an executive council member of a number of leading industry associations, including Internet Society of China, the China Association of Performing Arts, and the China Netcasting Services Association.
- ***Public welfare and philanthropy.*** We are committed to using music to inspire people to understand, care about and contribute to their communities. In June 2018, we launched our *Tencent Music Charity Program*, a program designed to pass the love and energy via music and achieve a bigger social value of music. The program is centered on an open platform and three strategies: caring for music, cultural heritage, and music education.
  - ***Caring for music.*** We believe music goes beyond entertainment and emotional connection — it can also serve as a unifying force for positive social change. We focus on community outreach bringing the healing power of music to people in need. For example, we have since 2017 produced digital albums on a pro bono basis for Zhou Bohan, who is a young autistic pianist in China, advocating for social attention and care on people with autism. Amid the COVID-19 pandemic, we broadcasted benefit concerts organized by Global Citizen rallying funds to combat the spread of the virus around the world. In 2021, we released a charity album *Hearing the Inaudible Sound* (聽見“聽不見”的聲音) for people with mid- and high-frequency hearing loss and launched the *2021 Little Red Flower Music Season* (2021小紅花迴響音樂季) campaign, where hundreds of musicians took part to compose songs for charity.
  - ***Cultural heritage.*** As part of our cultural heritage initiatives, we sent teams to travel across remote border areas in China to preserve local folk music heritage. In addition, we partnered with the China Association of Performing Arts in August 2018 to launch the *New Ethnomusicology Project*. Under this project, we will produce a series of ethnic music digital albums on a pro-bono basis, bringing together musicians across China to share original music reflecting diverse backgrounds and cultures of ethnic minorities. In November 2020, we released a music charity album *The Rhyme of China* (中國韻) 2020 in partnership with Xinhua News Agency “The Sound in China (聲在中國)” to promote traditional Chinese culture and music. Additionally, we collaborated with Sanxingdui Museum in May 2021 to invite musicians to compose songs in Chinese Ancient Style for artifacts preserved by the museum.
  - ***Music education.*** In August 2018, we teamed up with the Chen Yidan Foundation to establish Music Garden Space, an initiative aimed at providing a range of music education to children of ethnic minorities and from remote regions while also offering music training to local teachers in these regions. In 2019, the first *Music*

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## BUSINESS

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*Garden Space* was built in Dongsheng Village in Beichuan Qiang Autonomous County, Mianyang, Sichuan. We plan to establish 100 Internet music rooms at rural primary schools in 10 provinces, including Xinjiang, Hebei and Sichuan. With our “Bijie Dafang Tianhe Poverty Relief Workshop” project, Kugou Music also built a 300 square meter building for local primary schools. In addition to the *Music Garden Space* initiative, we also hosted summer camps and online music lessons, helping children from minority ethnic groups and remote regions to realize their music dreams and ambitions.

### Corporate Governance

We actively improve internal management systems, regulate corporate behaviors, and have formed a scientific and efficient corporate governance mechanism with well-defined decision-making, execution, and supervisory responsibilities and powers. We implement sustainable development in our operation process, clarify ESG management work procedures, and promote the continuous improvement of our ESG management. We periodically review our ESG visions and policies and continue to evaluate, determine and address our ESG-related risks. We have continued to improve our management of ESG matters through a series of measures, including, taking into account ESG matters in strategic planning, conducting and regularly refreshing a materiality assessment to identify and assess all material ESG issues, developing and regularly reviewing ESG policies, and regularly monitoring ESG performance against our goals. Our Investor Relations Department is responsible for ESG work coordination and reporting to management and the Board of Directors as appropriate. Comprising business leaders and personnel from various functional departments of the Group, our ESG working group is responsible for daily ESG work and collecting ESG-related data and materials to compile our annual ESG reports.

### ESG Risk Identification and Management

We identify and evaluate material environmental, social and climate-related risks through a thorough analysis and assessment process. We have established a three-layer risk management system, comprising of our business operation team, internal control department and internal audit department, to monitor these risks and facilitate our actions to address them. We routinely summarize and review material ESG risks identified over the short, medium and long term, based on which we formulate our ESG initiatives and internal control plans.

We actively oversee the identification and monitoring of the actual and potential environmental, social and climate-related risks on our business, strategy and financial performance, and take these issues into account during the course of our business, strategic and financial planning. We will assess the likelihood of such risks occurring and the estimated magnitude of any potential impact. We may also engage independent third parties to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate any major ESG risks identified.

We value opinions and suggestions from the stakeholders, including but not limited to our employees, business partners, investors, non-governmental organizations, industry associations, the

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## BUSINESS

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media and regulatory agencies. We conduct internal interviews across various departments and collect responses from stakeholder surveys relating to their significant ESG concerns. By doing so, we can quickly identify material issues, effectively respond to the expectations and requirements of all stakeholders, and enhance our ESG practice's applicability and pertinence. For example, we collected a total of 1,084 valid responses and more than 100 suggestions in 2020. Based on the feedback and through a benchmarking analysis across domestic and foreign peers, we created a materiality matrix for the key ESG topics, with a primary focus on attracting and retaining talents and the protection of privacy and data security.

During the Track Record Period and up to the Latest Practicable Date, our business, results of operation and financial condition had not been materially adversely impacted by ESG risks including those relating to health, work safety, environmental, social or climate-related issues. We do not operate any production facility and the potential impact of environment related regulatory development on our operation and financial conditions is limited. As an online music entertainment company, we do not currently foresee any materials risks in this regard. However, we have been committed to mitigating any potential risks in the mid- to long-term. For instance, we proactively monitor risks posed by climate changes, assess their potential impact on our business operations, and take appropriate actions to mitigate such risks. The primary risks posed by climate changes to our business include physical risks and transition risks. The physical risks mainly result from extreme climate hazards and long-term chronic risks. In addition, sea level rise and other risks may result in depreciation and loss of physical assets. We have formulated emergency measures for extreme climate hazards to minimize the risk of interruption to our operations and loss of assets. In addition, as part of our carbon neutrality initiatives, we have taken steps to deal with transition risks arisen from China's accelerated transformation to a low-carbon economy. To this end, we endeavor to limit our carbon emissions and promote green operations during the ordinary course of business.

## PROPERTIES

As of the Latest Practicable Date, we owned an aggregate of 9.7 thousand square meters of properties in Guangzhou, China, and we had also entered into an agreement to acquire the land use right for an aggregate of 6.8 thousand square meters of properties in Shenzhen, China. We intend to use these self-owned properties in China as office space.

As of the Latest Practicable Date, we rent an aggregate of 93.9 thousand square meters of office space, including our headquarters in Shenzhen and offices in Beijing, Guangzhou and some other cities in China. These facilities are currently accommodating our management headquarters, most of our product development, content acquisition and management, sales and marketing as well as general and administrative activities.

As of the Latest Practicable Date, the lessors of some of our leased properties had not provided us with valid title certificates, relevant authorization documents or permissions evidencing their rights to lease such properties to us. As a result, the relevant lease agreements may not be valid, and there are risks that we may not be able to continue to use the underlying leased properties should our use was challenged by any third parties or regulatory authorities.

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## BUSINESS

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In addition, we have not registered the majority of our lease agreements with the relevant regulatory authorities due to the lack of cooperation from our landlords in registering the relevant lease agreements. The failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each nonregistered lease agreement if we fail to complete the registration within the prescribed timeframe.

Furthermore, some of our leased properties are not used in accordance with the designated purposes of such properties. The land administrative departments may retrieve the land and impose a fine on the landlords for unauthorized change of designated usage of land and we may incur additional costs for relocation.

As of the Latest Practicable Date, we were not aware of any material claims or regulatory actions being contemplated or initiated by regulatory authorities, property owners or any other third parties with respect to our interests in or use of the leased properties. We believe if the leased properties issues prevent us from continuing the lease of any properties and we need to move, we can relocate to other comparable and duly leased alternative premises without any material adverse effect on our business and financial conditions. Based on the foregoing, our PRC Legal Adviser is of the view that the leased properties issues will not have a material adverse impact on our business, results of operations and financial condition.

## LEGAL PROCEEDINGS AND COMPLIANCE

### Legal Proceedings

We have been and may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including matters relating to copyright infringement, commercial disputes and competition. As of March 31, 2022, there were 590 lawsuits pending in connection with alleged copyright infringement on our platform against us or our affiliates with an aggregate amount of damages sought of approximately RMB72.9 million (US\$11.5 million). We are currently not a party to, and we are not aware of any threat of, any such legal or administrative proceedings that, in the opinion of our management, are likely to have any material and adverse effect on our business, financial condition, cash flow or results of operations. See “Risk Factors — Risks Related to Our Business and Industry — Pending or future litigation or regulatory proceedings could have a material and adverse impact on our reputation, business, financial condition and results of operations.”

On December 6, 2018, we became aware of an arbitration (the “Arbitration”) filed by an individual named Mr. Hanwei Guo (the “Claimant”) before the CIETAC. The Arbitration named Mr. Guomin Xie, who previously served as our Co-President and Director and resigned from such positions due to personal reasons in June 2019, CMC, and certain affiliates of CMC as respondents (the “Respondents”). In 2012, Mr. Xie co-founded CMC and the Claimant became an investor in CMC’s business by acquiring stakes in entities including CMC, Ocean Interactive (Beijing)

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## BUSINESS

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Technology Co., Ltd. (“Ocean Technology”) and Ocean Interactive (Beijing) Culture Co., Ltd. (“Ocean Culture”). CMC was acquired by Tencent in 2016 and subsequently was renamed Tencent Music Entertainment Group. As a result, Ocean Culture and Ocean Technology also became our PRC consolidated entities. The Claimant alleged that Mr. Xie defrauded and threatened him into signing a series of agreements in late 2013 to relinquish his investment interests in multiple entities, including CMC, Ocean Culture and Ocean Technology (together, the “Ocean Music Entities”), and transferring his equity interests in the Ocean Music Entities to Mr. Xie, CMC and certain other Respondents at below-market value. The Claimant seeks an award from CIETAC ruling, among other things, that (i) such agreements, pursuant to which the Claimant allegedly transferred his interests in the Ocean Music Entities to Mr. Xie, CMC and other Respondents, be declared invalid; (ii) Mr. Xie, CMC and other applicable Respondents return to the Claimant all of his initial equity interests in the Ocean Music Entities; and (iii) Mr. Xie pays damages in the amount of RMB100 million (US\$15.8 million). In addition, on December 5, 2018, the Claimant filed an Application and Petition for an Order to Take Discovery for Use in a Foreign Proceeding Pursuant to 28 U.S.C. § 1782 (the “Discovery Petition”) in the U.S. District Court of the Southern District of New York (the “District Court”), whereby he seeks permission to serve subpoenas for production of documents on Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Morgan Stanley & Co. LLC, each of which is an underwriter in our initial public offering (the “IPO Underwriters”), for use in the Arbitration. We and the IPO Underwriters opposed the Claimant’s Discovery Petition by filing Oppositions in the District Court on December 21, 2018. On February 25, 2019, the Discovery Petition was denied by the District Court. On March 27, 2019, the Claimant filed a notice of appeal with the United States Court of Appeals for the Second Circuit regarding the denial of the Discovery Petition. On July 8, 2020, the U.S. Court of Appeals for the Second Circuit affirmed the district court’s denial of the Claimant’s petition. Such affirmation is final and conclusive. In March 2021, the Claimant amended his claims in the Arbitration so that, among other things, to the extent that the Claimant’s equity interests in the Ocean Music Entities cannot be returned to the Claimant as a result of the merger of CMC’s operations and Tencent’s former music businesses, each of Mr. Xie and we shall pay the Claimant damages in an amount equal to the fair market value of 4% of our share capital as of the date of enforcement of the final arbitration decision, minus the amount the Claimant has already received, plus accrued interests. In April 2021, CIETAC entered an award for the Arbitration. The award dismissed substantially all of the Claimant’s claims, including those against CMC, except that Mr. Xie shall pay damages in an amount of RMB661 million (US\$104.3 million) to the Claimant. Mr. Xie subsequently applied in court to set aside the CIETAC’s award, and the court case has been filed. As of the Latest Practicable Date, no court hearing on merits had been held in relation to this case. See also “Risk Factors — Risks Related to Our Business and Industry — We, certain of our consolidated entities in the PRC and Mr. Guomin Xie, our former Co-President and Director, were named as respondents in an arbitration proceeding in the PRC.”

From time to time, we may be involved in legal proceedings in the ordinary course of our business. In September 2019 and October 2019, respectively, the Company and certain of its current and former directors and officers were named as defendants in two putative securities class actions filed in the U.S. District Court for the Eastern District of New York (the “Federal Court Action”) and the Supreme Court of the State of New York, County of New York (the “State Court Action”). Amended complaints in both actions were filed in February 2020, at which time Tencent, based on its status as our controlling shareholder, was named as a defendant in the Federal Court Action, and

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## BUSINESS

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the IPO Underwriters were added as defendants in both actions. Both actions, purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in the ADSs, assert violations of Sections 11 and 15 of the Securities Act of 1933, alleging that the registration statement dated December 12, 2018 in connection with our U.S. initial public offering (the “IPO Registration Statement”) contained actionable misstatements or omissions about an alleged anti-competition investigation conducted by the PRC regulatory authorities related to our then existing exclusive music licensing agreements. In the Federal Court Action, the plaintiffs also assert violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 on the basis of the same allegations concerning the IPO Registration Statement, as well as allegations that our annual report dated April 19, 2019 on Form 20-F also contained actionable misstatements or omissions about the same alleged investigation. On April 14, 2020, the Company served a motion to dismiss the Federal Court Action, which was fully briefed and submitted to the court on May 15, 2020. On May 8, 2020, the Company filed a motion to dismiss, or in the alternative, stay, the State Court Action. By order dated August 21, 2020, the State Court Action was stayed in all respects, pending resolution of the motion to dismiss the Federal Court Action. On March 31, 2021, the Company’s motion to dismiss the Federal Court Action was granted by the U.S. District Court for the Eastern District of New York. On April 29, 2021, the plaintiffs in the Federal Court Action filed a motion for leave to file a second amended complaint, which was granted on December 27, 2021. A second amended complaint was filed in the Federal Court Action on January 10, 2022. On February 18, 2022, the Company served a motion to dismiss the second amended complaint filed in the Federal Court Action, which was fully briefed and submitted to the court on March 11, 2022. We believe that these actions are without merits because (i) the Federal Court Action had already been dismissed in its entirety by the federal court on March 31, 2021; and (ii) the second amended complaint filed by the plaintiffs on January 10, 2022 fails to materially alter the nature of the allegations. Because these actions remain in their preliminary stages, we cannot predict their timing, outcome or consequences. Additionally, since the plaintiffs have not enumerated the total damages sought, we are currently unable to estimate the potential loss, if any, associated with the resolution of such lawsuits, if they proceed. We intend to defend the actions vigorously. To our best knowledge, we reasonably believe that the Directors are not implicated of any misconduct or wrongdoing in respect of any of these class actions and no adverse bearing on their character, experience, integrity and ability to discharge their duties as directors, including fiduciary duties and duties to exercise skill, care and diligence to a standard that commensurate with their position as directors of a listed company in Hong Kong. Based on the foregoing, we do not expect these class actions to have a material adverse impact on our business operation, and we are of the view that these class actions do not reflect negatively on the Directors’ suitability under Rules 3.08 and 3.09 of the Listing Rules. Based on the currently available information and the due diligence work conducted by the Joint Sponsors, including (i) interviews with the management of the Company and the Directors as well as the litigation counsel of the Company with respect to the class actions, (ii) reviewing the court documents made available to the Joint Sponsors, and (iii) conducting background searches on the Directors, no material finding has come to the Joint Sponsors’ attention that would cause them to disagree with the Company’s view above. For risks and uncertainties relating to the pending cases against us, see “Risk Factors — Risks Related to Our Business and Industry — We and certain of our Directors and officers have been named as defendants in several shareholder class action lawsuits, which could have a material adverse impact on our business, financial condition, results of operations, cash flows and reputation.”



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## BUSINESS

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### Regulatory Compliance

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 exclusivity arrangements with upstream copyright holders subject to certain limited exceptions as permitted 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.

Save as disclosed above and in the section headed “Risk Factors,” we were in compliance with the applicable laws and regulations currently in effect in all material aspects during the Track Record Period and up to the Latest Practicable Date.

### LICENSES, PERMITS AND REGULATORY APPROVALS

The following table sets out a list of material licenses and permits held by our Major Subsidiaries as of the Latest Practicable Date:

<u>License/Permit</u>	<u>Holder</u>	<u>Expiration Date</u>
Value-Added Telecommunication Business Operation License (增值電信業務經營許可證) (business type: online data processing and transaction processing business (business e-commerce only), excluding internet financial services categorized as online lending information intermediaries; information services (internet information services only), including culture and audio-video program, excluding information search and inquiry services and instant information interaction services) . . . . .	Guangzhou Kugou	May 26, 2026
Value-Added Telecommunication Business Operation License (增值電信業務經營許可證) (business type: domestic VSAT communication business (nationwide); domestic fixed-network data transmission business (Beijing, Zhejiang and Guangdong); network hosting business (Beijing, Zhejiang and Guangdong); internet data center business (Beijing, Ningbo and Guangzhou); content distribution network business (Beijing, Zhejiang and Guangdong); domestic internet protocol virtual private network business (Beijing, Zhejiang and Guangdong); internet access services (Beijing, Zhejiang and Guangdong); information services, excluding internet information services (nationwide)) . . . . .	Guangzhou Kugou	September 27, 2023

## BUSINESS

License/Permit	Holder	Expiration Date
AVSP (信息網絡傳播視聽節目許可證) . . . . .	Guangzhou Kugou	February 20, 2025
ICO License (網絡文化經營許可證) . . . . .	Guangzhou Kugou	May 28, 2025
License for Production and Operation of Radio and TV Programs (廣播電視節目製作經營許可證) . . . . .	Guangzhou Kugou	March 31, 2023
Commercial Performance License (營業性演出許可證) . . . . .	Guangzhou Kugou	September 30, 2022
Publication Business Permit (出版物經營許可證) . . . . .	Guangzhou Kugou	March 31, 2026
Value-Added Telecommunication Business Operation License (增值電信業務經營許可證) (business type: information services (internet information services only), excluding information search and inquiry services and instant information interaction services) . . . . .	Beijing Kuwo	March 5, 2026
Value-Added Telecommunication Business Operation License (增 值電信業務經營許可證) (business type: information services, excluding internet information services (nationwide)) . . . . .	Beijing Kuwo	July 23, 2024
AVSP (信息網絡傳播視聽節目許可證) . . . . .	Beijing Kuwo	January 29, 2025
ICO License (網絡文化經營許可證) . . . . .	Beijing Kuwo	June 27, 2024
License for Production and Operation of Radio and TV Programs (廣播電視節目製作經營許可證) . . . . .	Beijing Kuwo	June 30, 2023
Commercial Performance License (營業性演出許可證) . . . . .	Beijing Kuwo	December 25, 2022
Publication Business Permit (出版物經營許可證) . . . . .	Beijing Kuwo	April 30, 2028
ICO License (網絡文化經營許可證) . . . . .	Tencent Music Shenzhen	July 16, 2024
Commercial Performance License (營業性演出許可證) . . . . .	Tencent Music Shenzhen	June 26, 2023
Publication Business Permit (出版物經營許可證) . . . . .	Tencent Music Shenzhen	May 31, 2026
Value-Added Telecommunication Business Operation License (增值電信業務經營許可證) (business type: information services (internet information services only), including culture, excluding information search and inquiry services, information community services, instant information interaction services and information protection and processing services) . . . . .	Shenzhen Lanren	September 17, 2024
ICO License (網絡文化經營許可證) . . . . .	Shenzhen Lanren	September 5, 2023
License for Production and Operation of Radio and TV Programs (廣播電視節目製作經營許可證) . . . . .	Shenzhen Lanren	June 1, 2023

## BUSINESS

License/Permit	Holder	Expiration Date
Publication Business Permit (出版物經營許可證) .....	Shenzhen Lanren	May 31, 2026
Certificate for the Pilot Institution of Online Audio and Video Industry in Guangdong (廣東省網絡視聽產業試點機構證書) .....	Shenzhen Lanren	N/A

### Non-compliance regarding Licenses and Permits

The following table sets forth details of certain of our non-compliance regarding licenses and permits as of the Latest Practicable Date:

License/Permit	Relevant Entity	Description	Potential Penalty	Status as of the Latest Practicable Date and PRC Legal Opinion
ICP License	Tencent Music Shenzhen	As of the Latest Practicable Date, Tencent Music Shenzhen operates <i>QQ Music</i> and <i>WeSing</i> using sub-domains of www.qq.com owned by an entity controlled by our parent, Tencent who holds a valid ICP License. However, Tencent Music Shenzhen does not hold a valid ICP License.	The competent authority may order us to rectify, and if there is illegal income, confiscate such illegal income and impose a fine of not less than three times but not more than five times the illegal income; if there is no illegal income, or if the illegal income is less than RMB50,000, impose a fine of not less than RMB100,000 but not more than RMB1 million. If the circumstances are found to be severe, we may be ordered to suspend our operation and rectify such noncompliance.	On May 27, 2022, our PRC Legal Adviser consulted with Shenzhen Communication Administration, which, as advised by our PRC Legal Adviser, is the competent authority for regulating value-added telecommunications business conducted by Tencent Music Shenzhen. Based on such consultation, if the owner of a domain name maintains a valid ICP License, the affiliated operator of any sub-domain is not required to separately obtain an ICP License and will not be penalized for not having such license. Our PRC Legal Adviser is of the view that the risk that Tencent Music Shenzhen is penalized for not having an ICP License is low, on the grounds that (i) <i>QQ Music</i> and <i>WeSing</i> are operated as sub-domains of www.qq.com for which a valid ICP License has already been obtained; and (ii) Tencent Music Shenzhen has not historically been subject to any legal or regulatory penalties for its failure to obtain an ICP License.

## BUSINESS

License/Permit	Relevant Entity	Description	Potential Penalty	Status as of the Latest Practicable Date and PRC Legal Opinion
AVSP	Tencent Music Shenzhen	As of the Latest Practicable Date, Tencent Music Shenzhen operates its <i>QQ Music</i> and <i>WeSing</i> platforms as sub-domains of the domain name www.qq.com owned by an entity controlled by our parent, Tencent under a valid AVSP for www.qq.com. However, Tencent Music Shenzhen does not hold a valid AVSP.	We may be subject to warning, order to rectify and a fine of no more than RMB30,000; if the circumstances are found to be severe, the competent authority may order a ban, confiscate the equipment used in such regulatory noncompliance and impose a fine of between one and two times of total investment in the undertaking.	As of the Latest Practicable Date, Tencent Music Shenzhen had not been subject to any legal or regulatory penalties for its failure to obtain an AVSP under its own name. Even if Tencent Music Shenzhen is required to obtain an AVSP, it is not eligible to do so because current PRC laws and regulations require an applicant for an AVSP to be a wholly state-owned or state-controlled entity. On May 27, 2022, our PRC Legal Adviser consulted the Radio and Television Administration of Guangdong Province, which, as advised by our PRC Legal Adviser, is the competent authority for regulating our audio-video program services business in Guangdong. Based on such consultation, if the owner of a domain name holds an AVSP, the affiliated operator of other platforms is permitted to operate audio-video program services business by using the sub-domains of the foregoing domain name. Our PRC Legal Adviser is of the view that the risk that Tencent Music Shenzhen is penalized for not having an AVSP is low, on the grounds that (i) <i>QQ Music</i> and <i>WeSing</i> are operated as sub-domains of www.qq.com for which a valid AVSP has already been obtained; (ii) applications to register <i>QQ Music</i> and <i>WeSing</i> in the “Information Management System for National Online Audio Video Platforms” (全國網絡視聽平臺信息管理系統) had been submitted and remained pending as of the Latest Practicable Date; and (iii) Tencent Music Shenzhen has not historically been subject to any legal or regulatory penalties for its failure to obtain an AVSP under its own name.

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## BUSINESS

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License/Permit	Relevant Entity	Description	Potential Penalty	Status as of the Latest Practicable Date and PRC Legal Opinion
AVSP	Shenzhen Lanren	Shenzhen Lanren may be required to obtain an AVSP for releasing audio works.	We may be subject to warning, order to rectify and a fine of no more than RMB30,000; if the circumstances are found to be severe, the competent authority may order a ban, confiscate the equipment used in such regulatory noncompliance and impose a fine of between one and two times and amount of total investment in the undertaking.	As of the Latest Practicable Date, Shenzhen Lanren has been listed as the pilot institution of online audio and video industry in Guangdong by Radio and Television Administration of Guangdong Province in September 2020 and has obtained the consent letter from the NRTA. Shenzhen Lanren has historically completed its record-filing in the “Information Management System for National Online Audio Video Platforms,” (全國網絡視聽平臺信息管理系統) or the Online Audio-Video System, for the provision of audio-video program services. Subsequently, the name of the platform has been changed and Shenzhen Lanren re-submitted the record-filing application on July 13, 2022, along with another application for a platform providing certain simplified content in the Online Audio-Video System. As of the Latest Practicable Date, Shenzhen Lanren had not been subject to any legal or regulatory penalties for the lack of the AVSP. On September 1, 2022, our PRC Legal Adviser consulted the Radio and Television Administration of Guangdong Province. Based on such consultation, for an entity which has been listed as the pilot institution of online audio and video industry in Guangdong, obtained the consent letter from the NRTA and has historically completed the record-filing in the Online Audio-Video System, where it has changed the name of the platform and re-submitted the record-filing application, along with another application for a platform providing certain simplified content in the Online Audio-Video System, such entity will be allowed to provide audio-video program services and its provision of the audio-video program

## BUSINESS

License/Permit	Relevant Entity	Description	Potential Penalty	Status as of the Latest Practicable Date and PRC Legal Opinion
Online Publishing Service Permit	Tencent Music Shenzhen, Guangzhou Kugou, Beijing Kuwo and Shenzhen Lanren	Tencent Music Shenzhen, Guangzhou Kugou, Beijing Kuwo and Shenzhen Lanren may be required to obtain an Online Publishing Service Permit for releasing music or audio works via the internet.	The competent authority may order a ban and the shutdown of website; we may be required to delete all the relevant internet publications and all illegal income and major equipment and specialized tools used in illegal publishing activities may be confiscated. Where the illegal income is more than RMB10,000, a fine of more than 5 times but less than 10 times of such illegal income shall be imposed. Where the illegal income is less than RMB10,000, a fine of less than RMB50,000 may be imposed. Where others' legal rights and interests are infringed, civil liability shall be pursued according to the law.	<p>services will not be considered as a violation of the applicable laws and regulations. Based on the foregoing consultation and the fact that Shenzhen Lanren has not historically been subject to any legal or regulatory penalties for its failure to obtain an AVSP, our PRC Legal Adviser is of the view that the risk that Shenzhen Lanren is penalized for carrying out its business without an AVSP is low.</p> <p>Based on the consultation conducted by our PRC Legal Adviser with the Press and Publication Administration of Guangdong Province as the competent authority, such authority confirmed that it had not issued an Online Publishing Service Permit to any company in the online music and audio industries during the past three years. These entities intend to apply for an Online Publishing Service Permit when they become eligible to do so under applicable PRC laws and regulations. As of the Latest Practicable Date, none of these entities had been subject to any legal or regulatory penalties for their failure to obtain an Online Publishing Service Permit. Our PRC Legal Adviser is of the view that the risk that these entities are penalized for not having an Online Publishing Service Permit is low, on the grounds that: (i) their failure to obtain an Online Publishing Service Permit is due to eligibility issues as described above; and (ii) these entities have historically not been subject to any legal or regulatory penalties for its failure to obtain an Online Publishing Service Permit.</p>

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## BUSINESS

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License/Permit	Relevant Entity	Description	Potential Penalty	Status as of the Latest Practicable Date and PRC Legal Opinion
ICO License	Tencent Music Shenzhen	As of the Latest Practicable Date, Tencent Music Shenzhen holds an ICO License for conducting commercial internet cultural activities. However, the domain names registered on such ICO License are not the domain names used by <i>QQ Music</i> and <i>WeSing</i> , which are operated by Tencent Music Shenzhen as sub-domains of www.qq.com, a domain name owned by an entity controlled by our parent, Tencent, who maintains a valid ICO License under its own name.	We may be subject to an order to change the domain name registered on the ICO license, confiscation of illegal gains and a fine of more than RMB10,000 but not more than RMB30,000; if the circumstances are severe, we may be subject to an order to suspend the business for rectification or even a revocation of the ICO License. If such non-compliance is deemed an engagement in commercial internet activities without approval, we may be ordered to cease our commercial internet cultural activities, and subject to a warning and a fine of less than RMB30,000. Tencent Music Shenzhen may be listed in the cultural market blacklist if it refuses to cease its commercial internet cultural activities after being ordered to do so.	As of the Latest Practicable Date, Tencent Music Shenzhen had not been subject to any legal or regulatory penalties for its failure to maintain an ICO License for the domain names used by <i>QQ Music</i> and <i>WeSing</i> . Our PRC Legal Advisor is of the view that the risk we are penalized for not having an ICO License for the domain names used by <i>QQ Music</i> and <i>WeSing</i> is low, on the grounds that (i) Tencent Music Shenzhen had not historically been subject to any such penalties; (ii) Tencent Music Shenzhen already maintains a valid ICO License under its own name; and (iii) the domain names used by <i>QQ Music</i> and <i>WeSing</i> are sub-domains of www.qq.com for which a valid ICO License has been obtained.

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## BUSINESS

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Save as disclosed above, as advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits and approvals from relevant regulatory authorities that are material to our operations in China, and that as of the Latest Practicable Date, these licenses, permits and approvals remained valid and in effect to the extent required for our main business operations and that no material legal impediment to the renewal of such material license, permits and approvals existed.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We continuously review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency. Our risk management and internal control policies and procedures cover various aspects of our business operations, such as data and information system risk management, human resources risk management, financial reporting risk management, regulatory compliance and legal risk management, and investment risk management.

#### **Data and Information System Risk Management**

Sufficient maintenance, storage and protection of user data and other related information is critical to our business. We pay close attention to risk management relating to our information system as sufficient maintenance, storage and protection of user data and other related information is critical to our success. We have designed and adopted strict internal procedures to ensure that our data is protected and that leakage and loss of such data are avoided. See “— Technology and Data Capabilities — Data Security and Privacy” for more information on our efforts in protecting data security and privacy.

#### **Human Resources Risk Management**

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethic and legal compliance. We are committed to upholding the values of honesty, integrity and fairness, and we are dedicated to effectively and proactively managing all business ethics risks, including monitoring and preventing corruption, bribery, or any other fraudulent activities, to ensure that our operations comply with our business ethics standards. We have in place a code of conduct which is distributed to all our employees. The code of conduct contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the code of conduct. We also provide regular and specialized training tailored to the needs of our employees in different departments, through which we enable our employees to better comply with applicable laws and regulations in the course of conducting business.



**Financial Reporting Risk Management**

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We have established strict internal reimbursement and financial activities reporting policies. In particular, our financial department has implemented special inspection and verification procedures on invoices, bills, notes and other financial instruments, checking the legitimacy of the original instruments we receive and use. Our finance department also checks whether the amount and time provided on the face of the instrument match the relevant contracts. In addition, we provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

**Regulatory Compliance and Legal Risk Management**

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines. Meanwhile, legal risk refers to the risk of legal liability arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved.

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict and comprehensive internal rules and procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our legal department is responsible for reviewing and approving contracts, monitoring updates to and changes in laws and regulations applicable to our business and operations, and providing training on relevant laws, regulations, rules and guidelines tailored to our employees in business department, to ensure the ongoing compliance of our operations with relevant law. In addition, we have formed a dedicated antitrust compliance department to establish our group-wide competition compliance policies and programs, make sure our commercial behaviors are compliant with antitrust laws, and communicate with regulatory authorities, among other responsibilities.

**Intellectual Property Risk Management**

We implement strict internal rules and procedures to ensure our compliance with applicable rules and regulations relating to protection of our intellectual property rights and minimize risk of copyright infringement and related commercial and competition disputes. Specifically, we have in place internal processes to ensure that our in-house legal teams review, in some cases in consultation with outside legal counsel, our products and services, including upgrades to existing offerings, for compliance with these laws and regulations before they are made available to our users. As part of the review, we seek to minimize risk of infringement of third-party intellectual property rights and potential disputes by performing necessary intellectual property rights searches and analysis. We also periodically monitor published trademarks and patents to identify potential risks of infringement. Our legal teams also assist our product teams in ensuring that all necessary applications or filings for trademark, copyright and patent registrations are timely made to the competent authorities and seeking to upgrade our product feature to minimize the risks of potential copyright infringement arising from users' acts.

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## BUSINESS

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Our in-house legal teams are also responsible for reviewing and updating the terms in the form of contracts we enter into with our customers and suppliers, including those relating to the protection of intellectual property rights. They also constantly monitor updates and changes in laws and regulations in the PRC or other jurisdictions relating to intellectual property to ensure our ongoing compliance with these laws and regulations.

We take various other measures to ensure content offered on our platform does not infringe upon copyrights of third parties and actively enforce our rights against third-party platforms that infringe upon our content rights, using a combination of human and machine monitoring to detect unauthorized use of copyrighted content on other platforms. For example, we have designated personnel in place who are responsible for constantly monitoring the licensing status of the songs and other content available on our platforms. Leveraging both of our AI-driven and manual screening and review systems, we also implement “notice and take-down” policies in order to be eligible for the safe harbor exemption for user-generated content as permitted under applicable PRC copyright laws and regulations. For details, see “— Intellectual Property.”

As disclosed above, we believe we have established extensive internal control measures in relation to intellectual property rights risk management. Additionally, throughout the Track Record Period, we have not been subject to intellectual property right infringement claims made by third parties that individually or in the aggregate have had a material adverse effect on us. Based on the foregoing, we consider such internal control measures to be reasonable and effective. Based on the above and the independent due diligence works performed by the Joint Sponsors (including discussion with the Company as well as review of the internal control review report), no material finding has come to the Joint Sponsors’ attention that would cause them to cast reasonable doubt on the Company’s view that its internal control measures in relation to intellectual property rights risk management are adequate and effective.

### **Board Oversight**

Our Board of Directors is responsible and has the general power to supervise the operations of our business, and is in charge of managing the overall risks of the Company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures. Our Board of Directors will monitor the ongoing implementation of our risk management policies and corporate governance measures. Our Audit Committee consists of Mr. Adrian Yau Kee Mak and Ms. Edith Manling Ngan, and one non-voting observer, namely Mr. Matthew Yun Ming Cheng, and is chaired by Mr. Adrian Yau Kee Mak (being our independent non-executive director with the appropriate professional qualifications). For the professional qualifications and experiences of the members of our Audit Committee, see the section headed “Directors and Senior Management” in this listing document.