The following is the text of a report set out on pages IA-1 to IA-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TENCENT MUSIC ENTERTAINMENT GROUP AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED AND GOLDMAN SACHS (ASIA) L.L.C.

Introduction

We report on the historical financial information of Tencent Music Entertainment Group (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-4 to IA-94, which comprises the consolidated balance sheets as at December 31, 2019, 2020 and 2021 and March 31, 2022, and the consolidated income statements, consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IA-94 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated September 15, 2022 in connection with the secondary listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the consolidated financial position of the Group as at December 31, 2019, 2020 and 2021 and March 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review

Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page IA-4 have been made.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

September 15, 2022

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued consolidated financial statements of the Group for the years ended December 31, 2019, 2020 and 2021 (collectively referred as "Historical Financial Statements") and management accounts of the Group for the three months ended March 31, 2022. The previously issued consolidated financial statements for the years ended December 31, 2019, 2020 and 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP, the People's Republic of China (the "PRC"), in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") relating to the financial statements and the effectiveness of internal control over financial reporting.

The Historical Financial Information is presented in Renminbi ("RMB"). All values are rounded to the nearest million except when otherwise indicated.

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended December 31,			Three months ended March 31,	
		2019	2020	2021	2021	2022
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(Unaudited)*	*RMB'million*
Revenue from online music services		7,152	9,349	11,467	2,749	2,616
Revenue from social entertainment services and others		18,282	19,804	19,777	5,075	4,028
Total revenues	5	25,434	29,153	31,244	7,824	6,644
Cost of revenues		(16,761)	(19,851)	(21,840)	(5,358)	(4,784)
Gross profit		8,673	9,302	9,404	2,466	1,860
Selling and marketing expenses		(2,041)	(2,475)	(2,678)	(672)	(330)
General and administrative expenses		(2,703)	(3,101)	(4,009)	(883)	(1,012)
Total operating expenses		(4,744)	(5,576)	(6,687)	(1,555)	(1,342)
Interest income	6	615	622	530	154	150
Other gains, net	7	78	362	553	99	81
Operating profit		4,622	4,710	3,800	1,164	749
Share of net (loss)/profit of investments accounted for using equity method	17	(18)	19	(47)	(27)	20
Finance costs	9	(64)	(97)	(121)	(31)	(30)
Profit before income tax		4,540	4,632	3,632	1,106	739
Income tax expense	10(a)	(563)	(456)	(417)	(127)	(90)
Profit for the year/period		3,977	4,176	3,215	979	649
Attributable to:						
Equity holders of the Company		3,982	4,155	3,029	926	609
Non-controlling interests		(5)	21	186	53	40
		3,977	4,176	3,215	979	649
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
Earnings per share for Class A and Class B ordinary shares	11					
Basic		1.22	1.25	0.91	0.28	0.19
Diluted		1.19	1.24	0.90	0.27	0.18
Earnings per ADS (2 Class A shares equal to 1 ADS)						
Basic		2.43	2.51	1.82	0.55	0.37
Diluted		2.38	2.47	1.80	0.54	0.37

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* *(Unaudited)*	*RMB'million*
Profit for the year/period	3,977	4,176	3,215	979	649
Other comprehensive income/(loss), net of tax:					
Item that will not be reclassified subsequently to profit or loss					
Fair value changes on financial assets at fair value through other comprehensive income	1,031	5,219	(2,128)	(1,404)	(2,366)
Currency translation differences	—	(1,363)	(397)	152	(65)
Items that may be subsequently reclassified to profit or loss					
Currency translation differences	261	77	19	(8)	1
Share of other comprehensive (loss)/income of associates	(1)	(9)	4	(17)	15
Total comprehensive income/(loss) for the year/ period	5,268	8,100	713	(298)	(1,766)
Attributable to:					
Equity holders of the Company	5,273	8,079	527	(351)	(1,806)
Non-controlling interests	(5)	21	186	53	40
	5,268	8,100	713	(298)	(1,766)

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at March 31, 2022
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
ASSETS					
Non-current assets					
Property, plant and equipment	12	179	176	243	247
Land use rights	13	—	—	1,495	2,535
Right-of-use assets	14	148	311	283	268
Intangible assets	15	1,622	2,020	2,829	2,692
Goodwill	16	17,140	17,492	19,121	19,126
Investments accounted for using equity method	17	489	2,255	3,599	3,652
Financial assets at fair value through other comprehensive income	18(a)	4,461	9,771	7,302	4,904
Other investments	18(b)	217	349	199	348
Prepayments, deposits and other assets	19	816	956	743	675
Deferred tax assets	10(b)	192	303	346	357
Term deposits	21(a)	500	2,953	4,303	5,933
		25,764	36,586	40,463	40,737
Current assets					
Inventories		26	18	24	23
Accounts receivable	20	2,198	2,800	3,610	2,513
Prepayments, deposits and other assets	19	2,220	2,846	2,731	2,690
Other investments	18(b)	38	37	37	37
Short-term investments	18(c)	6	—	1,029	1,088
Term deposits	21(a)	7,000	14,858	12,769	10,556
Cash and cash equivalents	21(b)	15,426	11,128	6,591	8,353
		26,914	31,687	26,791	25,260
Total assets		52,678	68,273	67,254	65,997
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	22	2	2	2	2
Additional paid-in capital	22	34,425	35,044	36,238	36,187
Shares held for share award schemes	22	(31)	(78)	(183)	(186)
Treasury shares	22	—	(134)	(3,660)	(3,664)
Other reserves	23	2,187	6,300	3,726	1,290
Retained earnings		7,007	11,111	14,194	14,803
		43,590	52,245	50,317	48,432
Non-controlling interests		88	486	738	789
Total equity		43,678	52,731	51,055	49,221
LIABILITIES					
Non-current liabilities					
Notes payable	25	—	5,175	5,062	5,041
Accounts payable		—	136	93	93
Other payables and other liabilities	26	68	68	32	22
Deferred tax liabilities	10(b)	297	265	271	254
Lease liabilities		78	218	205	199
Deferred revenue	27	67	78	86	105
		510	5,940	5,749	5,714
Current liabilities					
Accounts payable		2,559	3,565	4,329	5,179
Other payables and other liabilities	26	3,782	3,881	3,832	3,500
Current tax liabilities		386	445	363	425
Lease liabilities		69	103	92	86
Deferred revenue	27	1,694	1,608	1,834	1,872
		8,490	9,602	10,450	11,062
Total liabilities		9,000	15,542	16,199	16,776
Total equity and liabilities		52,678	68,273	67,254	65,997

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company						Non-controlling interests	Total equity
		Share capital	Additional paid-in capital	Shares held for share award schemes	Other reserves	Retained earnings	Total		
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Balance at January 1, 2019		2	33,776	—	903	3,040	37,721	51	37,772
Profit for the year		—	—	—	—	3,982	3,982	(5)	3,977
Fair value changes on financial assets at fair value through other comprehensive income		—	—	—	1,031	—	1,031	—	1,031
Share of other comprehensive loss of an associate		—	—	—	(1)	—	(1)	—	(1)
Currency translation differences		—	—	—	261	—	261	—	261
Total comprehensive income for the year		—	—	—	1,291	3,982	5,273	(5)	5,268
Transactions with equity holders:									
Issuance of ordinary shares	22	—	12	—	—	—	12	—	12
Exercise of share options/ Restricted share units("RSUs")	22,23	—	637	—	(465)	—	172	—	172
Non-controlling interests arising from business combination		—	—	—	—	—	—	48	48
Share-based compensation-value of employee services	23,24	—	—	—	519	—	519	—	519
Shares held for share award schemes	22	—	—	(31)	—	—	(31)	—	(31)
Capital contribution by non-controlling interests		—	—	—	—	—	—	2	2
Additional investments in non-wholly owned subsidiaries		—	—	—	(76)	—	(76)	(8)	(84)
Appropriations to statutory reserves		—	—	—	15	(15)	—	—	—
Total transactions with equity holders at their capacity as equity holders for the year		—	649	(31)	(7)	(15)	596	42	638
Balance at December 31, 2019		2	34,425	(31)	2,187	7,007	43,590	88	43,678

	Note	Share capital	Additional paid-in capital	Shares held for share award schemes	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company								
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Balance at January 1, 2020		2	34,425	(31)	—	2,187	7,007	43,590	88	43,678
Profit for the year		—	—	—	—	—	4,155	4,155	21	4,176
Fair value changes on financial assets at fair value through other comprehensive income		—	—	—	—	5,219	—	5,219	—	5,219
Share of other comprehensive loss of an associate		—	—	—	—	(9)	—	(9)	—	(9)
Currency translation differences		—	—	—	—	(1,286)	—	(1,286)	—	(1,286)
Total comprehensive income for the year		—	—	—	—	3,924	4,155	8,079	21	8,100
Transactions with equity holders:										
Exercise of share options/ Restricted share units("RSUs")	22,23	—	619	—	—	(429)	—	190	—	190
Non-controlling interests arising from business combination		—	—	—	—	—	—	—	367	367
Share-based compensation-value of employee services	23,24	—	—	—	—	569	—	569	—	569
Shares held for share award schemes	22	—	—	(47)	—	—	—	(47)	—	(47)
Repurchase of shares		—	—	—	(134)		—	(134)	—	(134)
Additional investments in non-wholly owned subsidiaries		—	—	—	—	(2)	—	(2)	—	(2)
Disposal of a subsidiary		—	—	—	—	—	—	—	10	10
Appropriations to statutory reserves		—	—	—	—	51	(51)	—	—	—
Total transactions with equity holders at their capacity as equity holders for the year		—	619	(47)	(134)	189	(51)	576	377	953
Balance at December 31, 2020		2	35,044	(78)	(134)	6,300	11,111	52,245	486	52,731

		Attributable to equity holders of the Company								
	Note	Share capital	Additional paid-in capital	Shares held for share award schemes	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Balance at January 1, 2021		2	35,044	(78)	(134)	6,300	11,111	52,245	486	52,731
Profit for the year		—	—	—	—	—	3,029	3,029	186	3,215
Fair value changes on financial assets at fair value through other comprehensive income		—	—	—	—	(2,128)	—	(2,128)	—	(2,128)
Share of other comprehensive income of associates		—	—	—	—	4	—	4	—	4
Currency translation differences		—	—	—	—	(378)	—	(378)	—	(378)
Total comprehensive income for the year		—	—	—	—	(2,502)	3,029	527	186	713
Transfer of gains on disposal of financial instruments to retained earnings		—	—	—	—	(56)	56	—	—	—
Transactions with equity holders:										
Expiry of put right of puttable ordinary shares	22	—	535	—	—	—	—	535	—	535
Exercise of share options/ Restricted share units("RSUs")	22,23	—	659	—	35	(646)	—	48	—	48
Non-controlling interests arising from business combination		—	—	—	—	—	—	—	75	75
Share-based compensation — value of employee services	23,24	—	—	—	—	647	—	647	—	647
Shares held for share award schemes	22		—	(105)	—	—	—	(105)	—	(105)
Repurchase of shares		—	—	—	(3,561)	—	—	(3,561)	—	(3,561)
Additional investments in a non-wholly owned subsidiary		—	—	—	—	(19)	—	(19)	—	(19)
Disposal of subsidiaries		—	—	—	—	—	—	—	(6)	(6)
Appropriations to statutory reserves		—	—	—	—	2	(2)	—	—	—
Dividend to non-controlling interests		—	—	—	—	—	—	—	(3)	(3)
Total transactions with equity holders at their capacity as equity holders for the year		—	1,194	(105)	(3,526)	(16)	(2)	(2,455)	66	(2,389)
Balance at December 31, 2021		2	36,238	(183)	(3,660)	3,726	14,194	50,317	738	51,055

	Note	Share capital	Additional paid-in capital	Shares held for share award schemes	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company								
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
(Unaudited)										
Balance at January 1, 2021		2	35,044	(78)	(134)	6,300	11,111	52,245	486	52,731
Profit for the period		—	—	—	—	—	926	926	53	979
Fair value changes on financial assets at fair value through other comprehensive income		—	—	—	—	(1,404)	—	(1,404)	—	(1,404)
Share of other comprehensive loss of associates		—	—	—	—	(17)	—	(17)	—	(17)
Currency translation differences		—	—	—	—	144	—	144	—	144
Total comprehensive loss for the period		—	—	—	—	(1,277)	926	(351)	53	(298)
Transactions with equity holders:										
Expiry of put right of puttable ordinary shares	22	—	535	—	—	—	—	535	—	535
Exercise of share options/ Restricted share units("RSUs")	22,23	—	252	—	—	(226)	—	26	—	26
Share-based compensation — value of employee services	23,24	—	—	—	—	151	—	151	—	151
Shares held for share award schemes	22	—	—	(49)	—	—	—	(49)	—	(49)
Repurchase of shares		—	—	—	(327)	—	—	(327)	—	(327)
Additional investments in a non-wholly owned subsidiary		—	—	—	—	(19)	—	(19)	—	(19)
Disposal of subsidiaries		—	—	—	—	—	—	—	(5)	(5)
Dividend to non-controlling interests		—	—	—	—	—	—	—	(2)	(2)
Total transactions with equity holders at their capacity as equity holders for the period		—	787	(49)	(327)	(94)	—	317	(7)	310
Balance at March 31, 2021		2	35,831	(127)	(461)	4,929	12,037	52,211	532	52,743

	Note	Share capital	Additional paid-in capital	Shares held for share award schemes	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		`Attributable to equity holders of the Company								
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Balance at January 1, 2022		2	36,238	(183)	(3,660)	3,726	14,194	50,317	738	51,055
Profit for the period		—	—	—	—	—	609	609	40	649
Fair value changes on financial assets at fair value through other comprehensive income		—	—	—	—	(2,366)	—	(2,366)	—	(2,366)
Share of other comprehensive income of associates		—	—	—	—	15	—	15	—	15
Currency translation differences		—	—	—	—	(64)	—	(64)	—	(64)
Total comprehensive loss for the period		—	—	—	—	(2,415)	609	(1,806)	40	(1,766)
Transactions with equity holders:										
Exercise of share options/ Restricted share units("RSUs")	22,23	—	(51)	—	233	(179)	—	3	—	3
Non-controlling interests arising from business combination		—	—	—	—	—	—	—	8	8
Share-based compensation — value of employee services	23,24	—	—	—	—	158	—	158	—	158
Shares held for share award schemes	22	—	—	(3)	—	—	—	(3)	—	(3)
Repurchase of shares		—	—	—	(237)	—	—	(237)	—	(237)
Additional investments in a non-wholly owned subsidiary		—	—	—	—	—	—	—	3	3
Total transactions with equity holders at their capacity as equity holders for the period		—	(51)	(3)	(4)	(21)	—	(79)	11	(68)
Balance at March 31, 2022		2	36,187	(186)	(3,664)	1,290	14,803	48,432	789	49,221

.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Three months ended March 31,	
		2019	2020	2021	2021	2022
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from operations	29(a)	6,188	4,945	5,370	1,838	2,450
Interest received		576	577	458	154	132
Income taxes paid		(564)	(637)	(589)	(114)	(88)
Net cash inflow from operating activities		6,200	4,885	5,239	1,878	2,494
Cash flows from investing activities						
Payments for business combinations, net of cash acquired		(45)	(540)	(2,078)	(2,072)	19
Purchase of property, plant and equipment		(95)	(108)	(159)	(39)	(18)
Purchase of intangible assets		(191)	(393)	(1,095)	(161)	(119)
Purchase of land use right		—	—	(1,504)	—	(526)
Placement of short-term investments	18(c)	(38)	—	(5,616)	(2,416)	(70)
Receipt from short-term investments	18(c)	74	6	4,739	—	20
Placement of term deposits with initial terms of over three months		(12,050)	(30,643)	(15,153)	(2,941)	(5,811)
Receipt from maturity of term deposits with initial terms of over three months		4,550	20,332	15,892	6,572	6,394
Proceeds from disposal of subsidiaries		—	15	3	1	—
Proceeds from disposal of investments accounted for as financial assets at fair value through profit or loss and other comprehensive income		—	—	363	—	—
Payments for acquisition of investments accounted for using equity method		(294)	(2,002)	(1,480)	(1,327)	(89)
Payments for acquisition of other investments accounted for as financial assets at fair value through profit or loss		—	(211)	—	—	(150)
Payments for acquisition of investments accounted for as financial assets at fair value through other comprehensive income		—	(708)	—	—	—
Repayment for loans to a third party		(46)	—	—	—	—
Receipts from repayments of loans to a third party		—	45	1	1	—
Dividend received		32	—	88	—	—
Capital reduction from an associate		—	—	—	—	20
Other investing activities		1	1	—	—	1
Net cash outflow from investing activities		(8,102)	(14,206)	(5,999)	(2,382)	(329)
Cash flows from financing activities						
Loans from non-controlling interests		—	10	—	—	—
Proceeds from issuance of ordinary shares	22	12	—	—	—	—
Proceeds from exercise of share options/RSUs	22	127	163	104	65	2
Payments for acquisition of non-controlling interests in non-wholly owned subsidiaries		(79)	(6)	(19)	(8)	—
Shares withheld for share award schemes	22	(31)	(46)	(105)	(27)	(3)
Payment for repurchase of ordinary shares		—	(134)	(3,479)	(327)	(319)
Dividends paid to non-controlling interests		—	—	(3)	(2)	—
Proceeds from issuance of additional equity of non-wholly owned subsidiaries		3	—	13	—	3
Payments for interests		(7)	(15)	(105)	(50)	(49)
Principal elements of lease payments	14	(56)	(78)	(116)	(23)	(29)
Net proceeds from issuance of notes	25	—	5,400	—	—	—
Repayment for loan from non-controlling interests		—	(2)	—	—	—
Net cash (outflow)/inflow from financing activities		(31)	5,292	(3,710)	(372)	(395)
Net (decrease)/increase in cash and cash equivalents		(1,933)	(4,029)	(4,470)	(876)	1,770
Cash and cash equivalents at beginning of the year/period		17,356	15,426	11,128	11,128	6,591
Exchange differences on cash and cash equivalents		3	(269)	(67)	22	(8)
Cash and cash equivalents at end of the year/period		15,426	11,128	6,591	10,274	8,353

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information and organization

1.1 General information

Tencent Music Entertainment Group (the "Company" or "TME"), formerly known as China Music Corporation ("CMC"), was incorporated under the laws of the Cayman Islands on June 6, 2012 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Our registered office in the Cayman Islands is located at the office of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company is controlled by Tencent Holdings Limited ("Tencent"), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company's American Depositary Shares ("ADSs") have been listed on the New York Stock Exchange since December 12, 2018. Each ADS of the Company represents two ordinary shares.

The Company, its subsidiaries, its controlled structured entities ("Variable interest entities," or "VIE") and their subsidiaries ("Subsidiaries of VIEs") are collectively referred to as the "Group". The Group is principally engaged in operating online music entertainment platforms to provide music streaming, online karaoke and live streaming services in the PRC. The Company does not conduct any substantive operations of its own but conducts its primary business operations through its wholly-owned subsidiaries, VIEs and subsidiaries of VIEs in the PRC.

In July 2016, Tencent acquired control of the Company through a series of transactions, pursuant to which Tencent injected substantially all of its online music business in the mainland China ("Tencent Music Business") into the Company in exchange for certain number of shares issued by the Company ("Merger"). Upon the completion of such transactions, the Company became a subsidiary of Tencent and was renamed to its current name in December 2016. The Merger was accounted for as a reverse acquisition under which Tencent Music Business is regarded as the acquirer, and accordingly these historical financial information have been presented as a continuation of the historical financial information of Tencent Music Business.

1.2 Organization and principal activities

The PRC laws and regulations prohibit or restrict foreign ownership of companies that provide Internet-based business, which include activities and services provided by the Group. The Group operates its business operations in the PRC through a series of contractual arrangements ("Structure Contracts") entered into among the Company, its wholly-owned subsidiaries ("WOFEs"), VIEs that legally owned by individuals ("Nominee Shareholders") authorized by the Group (collectively, "Contractual Arrangements") and the Nominee Shareholders. The

Structure Contracts including Exclusive Technology Services Agreement, Exclusive Business Cooperation Agreement, Loan Agreement, Exclusive Purchase Option Agreement, Equity Interest Pledge Agreement, and Powers of Attorney Agreement.

Under the Contractual Arrangements, the Company has the power to control the management, and financial and operating policies of the VIEs, has exposure or rights to variable returns from its involvement with the VIEs, and has the ability to use its power over the VIEs to affect the amount of the returns. As a result, all these VIEs are accounted for as consolidated structured entities of the Company and their financial statements have been consolidated by the Company.

The Structured Contracts had been in place throughout the years presented, and, there was no change to the principal terms of the Structured Contracts. The principal terms of the Structured Contracts are further described below:

(i) Voting Trust Agreement

Pursuant to the Voting Trust Agreement, the shareholders of the VIEs each irrevocably granted the WOFEs or any individual designated by the WOFEs in writing as their attorney-in-fact to vote, the rights to vote on their behalf on all matters of the VIEs requiring shareholder approval under the PRC laws and regulations and the VIEs' articles of association. The term of this agreement will remain effective as long as the shareholders continue to hold equity interests in the VIEs.

(ii) Exclusive Technical Service Agreement

Pursuant to the exclusive technical service agreement between the WOFEs and the VIEs, the WOFEs or their designated party has the exclusive right to provide business support, technical services and consulting services in return for a service fee, which represents 90% of net operating income of the VIEs together with other service fees charged for other ad hoc services provided. The WOFEs have the discretion to change the charge rate. During the term of the agreement, without the WOFEs' prior written consent, the VIEs shall not engage any third party for rendering any of such services defined under this agreement.

(iii) Loan agreement

Under the loan agreement between the WOFEs and the shareholders of the VIEs, the WOFEs provided interest-free loans to the shareholders of the VIEs solely for the subscription of newly registered capital of the VIEs. The WOFEs have the sole discretion to determine the way of repayment, including requiring the shareholders to transfer their equity shares in the VIEs to the WOFEs according to the terms indicated in the Exclusive Share Purchase Option as mentioned below.

(iv) Exclusive option agreement

Pursuant to the exclusive purchase option agreement amongst the WOFEs, the VIEs and their shareholders, the shareholders of the VIEs granted the WOFEs or their designated party, an exclusive irrevocable option to purchase, all or part of the equity interests held by its shareholders, when and to the extent permitted under PRC law, at a price equal to the proportional amount of registered capital of the VIEs. Without the consent of the WOFEs or their designated party, the shareholders of the VIEs may not transfer, donate, pledge, or otherwise dispose of their equity shareholdings in any way. The exclusive purchase option agreement remains effective until the options are exercised.

(v) Equity interest pledge agreement

Pursuant to the equity interest pledge agreement enacted amongst the WOFEs, the VIEs and their shareholders, the shareholders of the VIEs pledge all of their equity interests in the VIEs to the WOFEs, to guarantee the VIEs and their shareholders' performance of their obligations under exclusive purchase option agreement, exclusive business cooperation agreement, loan agreement, and powers of attorney. If the VIEs and/or any of their shareholders breach their contractual obligations under this agreement, the WOFEs, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. Without the WOFEs' prior written consent, shareholders of the VIEs shall not transfer or assign the pledged equity interests, or create or allow any encumbrance that would prejudice the WOFEs' interests.

During the term of this agreement, the WOFEs are entitled to receive all of the dividends and profits paid on the pledged equity interests. The equity interest pledge will be effective upon the completion of the registration of the pledge with the local branch of the State Administration for Industry and Commerce ("SAIC"), and will remain effective until the VIEs and its shareholders discharge all their obligations under the Contractual Arrangements.

The Company's significant subsidiaries, VIEs, and subsidiaries of VIEs were as follows:

	Place of incorporation	Date of Incorporation or acquisition	Equity Interest Held (direct or indirect) December 31, 2019	2020	2021	March 31, 2022	Principal activities
Subsidiaries							
Tencent Music Entertainment Hong Kong Limited ("TME Hong Kong") (formerly known as "Ocean Music Hong Kong Limited")	Hong Kong	July 2016*	100%	100%	100%	100%	Investment holding and music content distribution
Tencent Music (Beijing) Co., Ltd ("Beijing Tencent Music") (formerly known as "Ocean Interactive (Beijing) Information Technology Co., Ltd.")	PRC	July 2016*	100%	100%	100%	100%	Technical support and consulting services
Yeelion Online Network Technology (Beijing) Co., Ltd. ("Yeelion Online")	PRC	July 2016*	100%	100%	100%	100%	Technical support and consulting services
Tencent Music Entertainment Technology (Shenzhen) Co., Ltd. ("TME Tech Shenzhen")	PRC	February 2017	100%	100%	100%	100%	Online music and entertainment related services
Guangzhou Shiyinlian Software Technology Co., Ltd. ("Guangzhou Shiyinlian")	PRC	October 2019	100%	100%	100%	100%	Technical support and consulting service
Variable Interest Entities							
Guangzhou Kugou Computer Technology Co., Ltd. ("Guangzhou Kugou")	PRC	July 2016*	100%	100%	100%	100%	Online music and entertainment related services
Beijing Kuwo Technology Co., Ltd.("Beijing Kuwo")	PRC	July 2016*	100%	100%	100%	100%	Online music and entertainment related services
Subsidiaries of Variable Interest Entities							
Tencent Music Entertainment (Shenzhen) Co., Ltd. ("TME Shenzhen")	PRC	July 2016*	100%	100%	100%	100%	Online music and entertainment related services
Guangxi Hexian Investment Management Co., Ltd. ("Guangxi Hexian") (formerly known as "Xizang Qiming Music Co., Ltd.")	PRC	February 2018	100%	100%	100%	100%	Music content investments and other investments
Shenzhen Lanren Online Technology Co., Ltd ("Shenzhen Lanren")	PRC	March 2021	N/A	N/A	100%	100%	Audio platform

* Representing the entities acquired by the Group on July 12, 2016.

Apart from the significant subsidiaries, VIEs and subsidiaries of VIEs listed above, there are certain non-wholly owned subsidiaries of the Group, of which management of the Group considered that these non-wholly owned subsidiaries are not significant to the Group, accordingly, no summarized financial information of these non-wholly owned subsidiaries is presented separately.

Risks in relation to the VIEs

In the opinion of the Company's management, the contractual arrangements discussed above have resulted in the Company, and the WOFE having the power to direct activities that most significantly impact the VIEs, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIEs at its discretion. The Company has the power to direct activities of the VIEs and can have assets transferred out of the VIEs under its control. Therefore, the Company considers that there is no asset in any of the VIEs that can be used only to settle obligations of the VIEs, except for registered capital, capital reserve and PRC statutory reserves of the VIEs totaling RMB4,206 million, RMB4,185 million, RMB4,069 million and RMB4,084 million as at December 31, 2019, 2020 and 2021 and March 31, 2022, respectively.

Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIEs. As the Company is conducting its Internet-related business mainly through the VIEs, the Company may provide such support on a discretional basis in the future, which could expose the Company to a loss. As the VIEs organized in the PRC were established as limited liability companies under PRC law, their creditors do not have recourse to the general credit of the WOFE for the liabilities of the VIEs, and the WOFE does not have the obligation to assume the liabilities of these VIEs.

The Company determines that the Contractual Arrangements are in compliance with PRC law and are legally enforceable. However, there remain uncertainties under PRC laws and regulations with respect to the enforceability of the Contractual Arrangements.

On January 19, 2015, the Ministry of Commerce of the PRC ("MOFCOM"), released for public comment a proposed PRC law, the Draft FIE Law, that appears to include Consolidated VIEs within the scope of entities that could be considered as foreign invested enterprises, or FIEs, that would be subject to restrictions under existing PRC law on foreign investment in certain categories of industry. Specifically, the Draft FIE Law introduces the concept of "actual control" for determining whether an entity is considered to be an FIE. In addition to control through direct or indirect ownership or equity, the Draft FIE Law includes control through contractual arrangements within the definition of "actual control". The Draft FIE Law includes provisions that would exempt from the definition of foreign invested enterprises entities where the ultimate controlling shareholders are either entities organized under PRC law or individuals who are PRC citizens. The Draft FIE Law is silent as to what type of enforcement action might be taken against existing entities that operate in restricted or prohibited industries and are not controlled by entities organized under PRC law or individuals who are PRC citizens. If the restrictions and prohibitions on foreign invested enterprises included in the Draft FIE Law are enacted and enforced in their current form, the Company's ability to use the Contractual Arrangements and the Company's ability to conduct business through them could be severely limited.

The Company's ability to control VIEs also depends on rights provided to the WOFE, under the powers of attorney agreement, to vote on all matters requiring shareholder approval. As noted above, the Company believes these powers of attorney agreements are legally enforceable, but they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the contractual arrangements between the or the WOFE, the VIEs and their respective shareholders were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict its operations;
- restrict the Group's right to collect revenues;
- block the Group's websites;
- require the Group to restructure the operations, re-apply for the necessary licenses or relocate its businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

The following are major financial statements amounts and balances of the Group's VIEs and subsidiaries of VIEs on a combined basis.

	As at December 31,			As at March 31,
	2019	**2020**	**2021**	**2022**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Total current assets	9,303	10,700	9,395	9,882
Total non-current assets	5,824	7,394	8,722	8,912
Total assets	15,127	18,094	18,117	18,794
Total current liabilities	(6,446)	(6,986)	(6,670)	(7,181)
Total non-current liabilities	(425)	(393)	(416)	(421)
Total liabilities	(6,871)	(7,379)	(7,086)	(7,602)

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* **(Unaudited)**	*RMB'million*
Total revenues	25,379	29,094	30,949	7,784	6,519
Net profit/(loss)	1,323	1,625	(209)	206	(65)
Net cash (outflow)/inflow from operating activities	(182)	454	(671)	(921)	2,151
Net cash outflow from investing activities	(185)	(1,099)	(3,554)	(2,551)	(2,408)
Net cash (outflow)/inflow from financing activities	(34)	715	3,462	3,148	219
Net (decrease)/increase in cash and cash equivalents	(401)	70	(763)	(324)	(38)
Cash and cash equivalents, beginning of the year/period	1,728	1,327	1,397	1,397	634
Cash and cash equivalents, end of the year/period	1,327	1,397	634	1,073	596

The above combined financial statements amounts and balances included intercompany transactions which have been eliminated on consolidation in the Historical Financial Information.

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the total assets of Group's VIEs mainly consisted of cash and cash equivalents, accounts receivable, prepayments, deposits and other current assets, intangible assets, and land use rights, as applicable.

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the total liabilities of VIEs mainly consisted of accounts payable, accrued expenses and other current liabilities.

The recognized revenue-producing assets held by the Group's VIEs include intangible assets acquired through business combination, prepaid content royalties and domain names and servers. The balances of these assets as at December 31, 2019, 2020, 2021 and March 31, 2022 were included in the line of "Total non-current assets" in the table above.

The unrecognized revenue-producing assets held by the Group's VIEs mainly consist of internally generated intellectual property, licenses, and trademarks that the Group relies on to operate its businesses.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as issued by International Accounting

Standards Board ("IASB"). The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of other investments, financial assets at fair value through other comprehensive income, short-term investments, other financial liabilities which are carried at fair value.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

2.2 New and amendments to the accounting standards adopted and recent accounting pronouncements

(a) Standards, amendments to standards and interpretations adopted

All effective standards, amendments to standards and interpretations, which are mandatorily effective for the financial year beginning on January 1, 2022, are consistently applied to the Group for the Track Record Period.

(b) Recent accounting pronouncements

The following new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2022, and have not been early adopted by the Group during the Track Record Period in preparing the Historical Financial Information. None of these new standards and amendments to standards is expected to have a significant effect on the Historical Financial Information of the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IAS 1 (amendments)	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

The Group considers the lease as a single transaction in which the assets and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, when differences on settlement of the liabilities and the amortization of right-of-use assets arise, there will be a net temporary difference on which deferred tax is recognized. Upon the effective date of amendments to IAS 12 on January 1, 2023, the Group will need to recognize a deferred tax asset and a deferred tax liability for the temporary differences arising on a lease on initial recognition.

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including VIEs as stated in Note 1.2 above) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet, respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally but not necessarily accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognized at cost. Interests in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognized at cost in the consolidated balance sheet.

(c) Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognized at cost in the consolidated balance sheet.

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11 whenever there is an indication that the carrying amount may be impaired in accordance with Note 2.12 (b).

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations except for the business combinations under common control as stated below, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Business combination under common control

The Group accounts for the business combination between entities under common control using the predecessor accounting. For predecessor accounting:

- Assets and liabilities of the acquired entity are stated at predecessor carrying values. Fair value measurement is not required.
- No new goodwill arises in predecessor accounting.
- Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings or in a separate reserve.

The Group does not restate any assets and liabilities of the acquired entity. The assets and liabilities of the acquired entity are consolidated using the predecessor's amounts from the controlling party's perspective. No new goodwill is recorded. Any difference between the cost of investment and the carrying value of the net assets is recorded in equity as merger reserve.

The Group elects to incorporate the acquired entity's results only from the date on which the business combination between entities under common control occurred. Consequently, the Historical Financial Information do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amount for the previous year is also not restated.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions. The Group's chief operating decision makers have been identified as executive directors of the Company, who review the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group as a whole.

For the purpose of internal reporting and management's operation review, the chief operating decision-makers and management personnel do not segregate the Group's business by product or service lines. Hence, the Group has only one operating segment. In addition, the Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group's assets and liabilities are substantially located in the PRC, substantially all revenues are earned and substantially all expenses are incurred in the PRC, no geographical segments are presented.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States Dollars ("US$"). As the major operations of the Group are within the PRC, the Group presents its Historical Financial Information in Renminbi ("RMB"), unless otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance cost. All other foreign exchange gains and losses are presented in the income statement on a net basis within finance cost.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gains or losses on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Servers and network equipment	3 – 5 years
Office furniture, equipment and others	3 – 5 years
Leasehold improvements	Shorter of expected lives of leasehold improvements and lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes amortization of land use rights and the costs of construction of buildings. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. Construction in progress is transferred to property, plant and equipment when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

2.8 Land use rights

Land use rights are up-front payment to acquire long-term interests in land. The payment is stated at cost and charged to the consolidated income statement on a straight-line basis over the remaining period of the lease.

2.9 Goodwill

Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, below the operating segment.

2.10 Other intangible assets

(a) Domain name, trademark and Internet audio/video program transmission license

Separately acquired domain name, trademark and Internet audio/video program transmission license are shown at historical cost. These assets acquired in a business combination are recognized at fair value at the acquisition date. Domain name, trademark and Internet audio/video program transmission license have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of these assets and over their respective useful live of no more than 12 years. The useful lives of these assets are the periods over which they are expected to be available for use by the Group, and the management of the Group also take into account of the period of effective registration of the domain name and trademark, contractual license period and past experience when estimating the useful lives.

(b) Separately acquired and internal developed content and copyrights

Separately acquired content and copyrights are shown at historical cost. The Group also produces or/and contracts with external parties to produce content to exhibit on its platforms. Produced content includes direct production costs, production overheads and acquisition costs. The Group recognizes internal developed content as intangible assets only when the following criteria are met: the technical feasibility of completing the intangible asset exists, there is an intent to complete and an ability to use or sell the intangible asset, the intangible asset will generate probable future economic benefits, there are adequate resources available to complete the development and to use or sell the intangible asset, and there is the ability to reliably measure the expenditure attributable to the intangible asset during its development. Capitalized in-house produced content are amortized on a straight-line basis over the estimated useful lives of 1 to 5 years. The useful lives of these assets are the periods over which they are expected to be available for the Group to use, and the management of the Group also take into account of contractual copyrights period and past experience when estimating the useful lives.

(c) Other intangible assets acquired in a business combination not under common control

Other intangible assets acquired in a business combination not under a common control transaction are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and impairment loss, if any. Amortization is calculated using the straight-line method to allocate the costs of acquired intangible assets over the following estimated useful lives:

Online users	1 year
Corporate customer relationship	3 - 4 years
Supplier resources	3 - 6 years
Non-compete agreements	4 - 7 years
Copyrights	3 - 7 years

Length of estimated useful life is determined to be the shorter of the period of contractual rights or estimated period during which such intangible assets can bring economic benefits to the Group.

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment review on the goodwill of the Group is conducted by the management as at December 31 according to IAS 36 "Impairment of assets". An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Investments and other financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments only when its business model for managing those assets changes.

Purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Initial recognition and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. There are three categories into which the Group classifies its debt instruments:

- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as and measured at amortized cost. A gain or loss on a debt investment measured at amortized cost which is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is recognized using the effective interest rate method.

- Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are classified as and measured at fair value through other comprehensive income. Movements in the carrying amount of these financial assets are taken through other comprehensive income, except for the recognition of impairment losses or reversals, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in "other gains/(losses), net" in the consolidated income statement. Interest income from these financial assets is recognized using the effective interest rate method. Foreign exchange gains and losses and impairment losses or reversals are presented in "other gains/(losses), net".

- Fair value through profit or loss: Financial assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are classified as and measured at fair value through profit or loss. A gain or loss on a debt investment measured at fair value through profit or loss which is not part of a hedging relationship is recognized in profit or loss and presented in "other gains/(losses), net" for the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in "other gains/(losses), net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized since initial recognition.

Impairment on deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a deposit or receivable has occurred since initial recognition, the impairment is measured as lifetime expected credit losses.

(c) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.13 Inventories

Inventories, mainly consisting of merchandise for sale, are primarily accounted for using the weighted average method and are stated at the lower of cost and net realizable value.

2.14 Accounts receivable

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. Accounts receivable are generally due for settlement within 30 to 90 days and therefore are all classified as current.

2.15 Short-term investments

Short-term investments are investments issued by commercial banks in the PRC with a variable return and accounted for as financial assets at fair value through profit and loss (see Note 2.12 above). Since these investments' maturity dates are within one year, they are classified as current assets.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term deposits with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders as treasury shares until the shares are canceled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's equity holders.

2.18 Accounts and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 1 year of recognition. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

2.19 Borrowings (including notes payable)

Borrowings (including notes payable) issued by the Group are recognized initially at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over their terms using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan facilities to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the term of the facility to which it relates. Notes payable are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific finance costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. During the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, finance cost capitalized were nil.

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(d) Uncertain tax positions

In determining the amount of current and deferred income tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, interest or penalties may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2.21 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

2.22 Share-based payments

The Group operates a number of equity-settled share-based compensation plan (including share option schemes and share award schemes), under which the Group receives services from employees as consideration for equity instruments (including stock options and restricted shares units ("RSUs")) of the Group. In addition, the controlling shareholder, Tencent, also operates certain share-based compensation plans (mainly share option schemes and share award schemes) which may cover the employees of the Group. Share awards granted to the employees of the Group are measured at the grant date based on the fair value of equity instruments and are recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to equity as "share-based compensation reserve" if it is related to equity instruments of the Company or as "contribution from ultimate holding company" if it is related to equity instruments of Tencent.

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using Binomial model (the "Binomial Model"). The determination of the fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, expected forfeiture rate, risk-free interest rates, contract life and expected dividends. For grant of award shares, the total amount to be expensed is determined by reference to the fair value of the Company or market price of Tencent's shares at the grant date.

Forfeitures are estimated at the time of grant and revised in the subsequent periods if actual forfeitures differ from those estimates.

If a share-based arrangement involving a compound financial instrument issued by the Group, which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash), to any party other than employees, the Group measure the equity component of the compound financial instrument as the difference between the fair value of the goods or services received and the fair value of the debt component, at the date when the goods or services are received. If a compound financial instrument issued by the Group to the employees, the Group first measure the fair value of the debt component, and then measure the fair value of the equity component—taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument. The fair value of the compound financial instrument is the sum of the fair values of the two components. The debt component will be accounted for as a cash-settled share-based payment transaction; and the equity component will be accounted for as an equity-settled share-based payment.

2.23 Provisions

Provisions for legal claims and service warranties are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.24 Revenue recognition

The Group generates revenues primarily from provision of music entertainment services, such as paid music, virtual gifts sales and content sublicensing, and online advertising. Revenue is recognized when or as the control of the services or goods is transferred to the customer. Depending on the terms of the contract and the laws that are applied to the contract, control of the services and goods may be transferred over time or at a point in time.

(a) Revenue from online music services

Online music services revenues primarily include revenues from subscriptions, sale of digital music singles and albums, content sublicensing and online advertising on the Group's online music platforms.

The Group provides to users certain subscription packages which entitle paying subscribers a fixed amount of non-accumulating downloads per month and access to pay-for-streaming content with certain privilege features on its music platforms. The subscription fee for these packages is time-based and is collected upfront from subscribers. The terms of time-based subscriptions range from one month to twelve months. The receipt of subscription fee is initially recorded as deferred revenue. The Group satisfies its various performance obligations by providing services throughout the subscription period and revenue is recognized over time accordingly.

The Group also provides its users to purchase early release access to certain new digital music singles and albums. These singles and albums can be downloaded and streamed only through the Group's platform. Such music singles and albums will be made available to all users to access after the initial launch period which is generally three months. The Group considers that it provides the early access to the newly launched singles and albums within its platform as opposed to providing functional intellectual property to the users. As a result, the performance obligation of providing early access is satisfied, and revenue is recognized over time accordingly.

The above services can be paid directly by users by way of online payment channels or through various third party platforms. The Group records revenue on gross basis according to the criteria stated in (c) below and recognizes service fees levied by online payment channels or third party platforms ("Channel Fees") as the cost of revenues in the same period as the related revenue is recognized.

The Group sublicenses certain of the Group's music content to other music platforms for a fixed period of time, typically one year, that falls within the original license period of the underlying content. The Group is obliged to replicate the licensed content library for any subsequent changes in the content, including any new content or removal of existing content, updated by the content partners any time during the sublicensing period. As a result, the Group determines sublicensing of content as a single performance obligation. Revenues from sublicensing the content are recognized over the sublicensing period. The Group only recognizes revenue when it is highly probable that this will not result in a significant reversal of revenue when any uncertainty is resolved. The Group does not adjust the promised amount of consideration for the effects of any significant financing component as the sublicensing period is typically one year.

Advertising revenue is primarily generated through display ads on the Group's platforms. Advertising contracts are signed to establish the fixed prices and advertising services to be provided based on cost per display ("CPD") or cost per mille ("CPM") arrangements. When the collectability is reasonably assured, advertising revenues from the CPD arrangements that are display ads for an agreed period of time, are recognized ratably over the contract period of display based on a time-based measure of progress as the performance obligation is expended evenly over the period, while revenue from the CPM arrangements are recognized based on the number of times that the advertisement has been displayed. The Group allocates revenue to each performance obligation on a relative stand-alone selling price basis which is determined with reference to the prices charged to customers.

The Group also entered into contracts with third-party advertising agencies or entities controlled by Tencent, which represent the Group in negotiation and contracting with advertisers. The Group shares with these advertising agencies a portion of the revenues the Group derives from the advertisers. Revenues are recognized on a gross or net basis based on an assessment made according to the criteria stated in (c) below. If revenue for advertising derived through these advertising agencies are recorded at the gross amount, the portion remitted to advertising agencies, including any cash incentive in the form of commissions, is recorded as cost of revenues. If revenue for advertising derived through these advertising agencies are recorded at the net amount, the related cash incentives, in the form of commissions paid/payable to any advertising agencies based on volume and performance, are accounted for as a reduction of revenue, based on expected performance.

(b) Revenue from social entertainment services and others

The Group offers virtual gifts to users for free or sell virtual gifts to users on the Group's online karaoke and live streaming platforms. The virtual gifts are sold to users at different specified prices as pre-determined by the Group. The utilization of each virtual gift sold to users is considered as the performance obligation and the Group allocates revenue to each performance obligation on a relative stand-alone selling price basis, which are determined based on the prices charged to customers.

Virtual gifts are categorized as consumable, time-based and durable. Consumable items are consumed upon purchase and use while time-based items could be used for a fixed period. The Group does not have further obligations to the user after the virtual gifts are consumed immediately or after the stated period for time-based items. The revenue for the sale of consumable virtual gifts on the online karaoke and online broadcasting platforms is recognized immediately when a virtual item is consumed or, in the case of a time-based virtual item, recognized ratably over the useful life of the items, which generally does not exceed one year. The Group recognizes the revenue for sale of durable virtual gifts over their estimated lifespans of no longer than six months, which are determined by the management based on the expected service period derived from past experiences, given there is an implicit obligation of the Group to maintain the virtual gifts operated on its platforms.

The Group may share with performers a portion of the revenues derived from the sales of the virtual gifts on the online karaoke and live streaming platforms. Revenues for the sales of virtual gifts are recorded at the gross amount, with the portion remitted to performers recorded as cost of revenues, as the Group considers itself the primary obligor in the sales of virtual gifts with the Group possesses the latitude in establishing prices; and the rights to determine the specifications or change the virtual gifts.

The Group also generates revenue from online karaoke and live streaming services by selling premium memberships that provide paying users with certain privileges. The fees for these packages are time-based ranging from one month to twelve months and are collected up-front from the respective subscribers. The receipt of the subscription fees is initially recorded as deferred revenue. The Group satisfies its performance obligation by providing services over the subscription period and revenue is recognized ratably over the subscription period.

The Group also generates advertising revenue from its social entertainment platforms and the policies for recognized advertising revenue is described in Note 2.24(a) above.

(c) Principal and agent consideration

The Group reports the revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The determination of whether to report the revenues of the Group on a gross or net basis is based on an evaluation made of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) changes the product or performs part of the service; (iv) has involvement in the determination of product and service specifications.

The Group does not disclose the information about the remaining performance obligations as the performance obligations of the Group have an expected duration of one year or less.

(d) Contract liabilities and contract costs

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration is due) from the customer.

Contract costs include incremental costs of obtaining a contract and costs to fulfill a contract. The contract costs are amortized using a method which is consistent with the pattern of recognition of the respective revenues. The Group has applied the practical expedient to recognize the contract cost relating to obtain a contract as an expense when incurred, if otherwise the amortization period is one year or less.

2.25 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.26 Cost of revenues

Cost of revenues mainly consists of service costs, advertising agency fees, channel fees, amortization of intangible assets, salaries and benefits for its operations personnel (including related share-based compensation) and others.

Service costs include royalty payments to music content providers and revenue sharing with performers on the online karaoke and live streaming platforms. Payment arrangements with music content providers are mainly calculated under pre-determined revenue sharing ratios which are determined based on the actual usage of the content. Certain arrangements require the Group to pay non-recoupable royalty in advance. The Group expenses the non-recoupable royalty on a straight-line basis over the relevant contractual periods and accrues additional royalty costs when revenue sharing during a contractual period is expected to exceed the non-recoupable royalty amounts.

2.27 Selling and marketing expenses

Selling and marketing expenses mainly consist of advertising expenses for branding and acquiring user traffic for the Group's online music show platforms, salaries and commissions for our sales and marketing personnel (including related share-based compensation) and intangible assets amortization. Advertising costs are included in "Selling and marketing" and are expensed when the service is received.

2.28 General and administrative expenses

General and administrative expenses mainly consist of salaries and benefits for management and administrative personnel and research and development personnel (including related share-based compensation), rental and depreciation expenses related to facilities and equipment used by our research and development team, professional service expense, amortization of intangible assets and other general corporate expenses.

Research expenditure is recognized as an expense as incurred. Development expenditures are capitalized when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. Development expenditures previously recognized as expenses are not recognized as assets in subsequent periods. The amount of development expenditures qualifying for capitalization for the Group is immaterial.

2.29 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.30 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The lease terms of building and others are generally less than six years and less than two years, respectively.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.31 Dividends distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Distribution of non-cash assets to the Company's shareholders is recognized and measured at the fair value of the non-cash assets to be distributed. Any difference between the fair value and the carrying amount of the non-cash assets to be distributed is recognized in the income statement.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimize the potential adverse effects on the financial performance of the Group. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and US$. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's subsidiaries. The functional currency of the Company and majority of its overseas subsidiaries is US$ whereas the functional currency of the subsidiaries which operate in the PRC is RMB. The Group currently does not hedge transactions undertaken in foreign currencies but manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the Group's major monetary assets denominated in US$ and exposed to foreign exchange risk amounts to RMB2 million, RMB2 million, RMB54 million and RMB54 million, respectively, while major monetary liabilities denominated in US$ and exposed to foreign exchange risk amounts to nil, RMB1 million, RMB1 million and nil, respectively.

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the Group's major monetary assets denominated in RMB and exposed to foreign exchange risk amounts to RMB61 million, RMB6 million, RMB27 million and RMB23 million, respectively, while major monetary liabilities denominated in RMB and exposed to foreign exchange risk amounts to RMB40 million, RMB22 million, RMB33 million and RMB28 million, respectively.

The Group performed sensitivity analysis based on the net exposure to each of the exposure arising from US$ and RMB at end of each reporting period. As at December 31, 2019, 2020 and 2021 and March 31, 2022, the impact on the post-tax profit of the Group arising from a reasonable change in the foreign exchange rates of US$ and RMB is immaterial and therefore no quantitative impact of the sensitivity analysis is presented for foreign exchange risk.

(ii) Price risk

The Group is exposed to price risk because of investments held by the Group, which were classified as financial assets at fair value through other comprehensive income and other investments for the Track Record Period. The Group is not exposed to commodity price risk.

The sensitivity analysis is determined based on the exposure to equity price risk of financial assets at fair value through other comprehensive income and other investments at the end of each reporting period. If equity prices of the respective instruments held by the Group had been 5% higher/lower, the other comprehensive income would have been approximately RMB223 million, RMB489 million, RMB365 million, RMB422 million and RMB245 million higher/lower, and profit for the year/period would have been approximately RMB11 million, RMB19 million, RMB12 million, RMB19 million and RMB19 million higher/lower, for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively.

(iii) Interest rate risk

Other than term deposits with initial terms of over three months and cash and cash equivalents, the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is attributable to its notes payable issued during the Track Record Period (Note 25), which carried at fixed rates and does not expose the Group to cash flow interest-rate risk. Accordingly, the directors of the Company do not anticipate there is any significant impact on the Group's financial performance resulted from the changes in interest rates.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash deposits (including term deposits) placed with banks and financial institutions, short-term investments, as well as accounts and other receivables. The carrying amount of each class of these financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

The Group has policies in place to ensure that credit terms are granted to counterparties, including customers for content sublicensing, advertising agencies, third parties platforms as well as entities under Tencent, with an appropriate credit history and the Group also performs periodic credit evaluations of these counterparties. Management does not expect any material loss arising from non-performance by these counterparties.

Customers for content sublicensing and the third parties platforms are reputable corporations with sound financial position. The credit quality of the advertising agencies are assessed on a regular basis based on historical settlement records and past experience.

In addition, deposits are only placed with reputable domestic or international financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

No single external customer amount to more than 10% of the revenue of the Group for the Track Record Period.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. The historical observed default rates are updated based on the payment profiles of receivable over a period of 12 months, and changes in the forward-looking estimates are analyzed at year/period end. As at December 31, 2019, 2020 and 2021 and March 31, 2022, the expect credit loss rate was less than 1%.

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the carrying amounts of accounts receivable approximated their fair values.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents and short-term investments to meet financial obligations when due. Management monitors rolling forecasts of the Group's liquidity requirements on the basis of expected cash flows and considering the maturities of financial assets and financial liabilities.

As at December 31, 2019, the Group has no material external borrowings. As at December 31, 2020, 2021 and March 31, 2022, the Group's major external borrowings represented the senior unsecured notes issued in September 2020, details of which are disclosed in Note 25.

The contractual undiscounted cash flows of the Group's notes payable and related interest expenses in the next twelve months are nil, RMB92 million, RMB90 million and RMB90 million, as at December 31, 2019, 2020, 2021 and March 31, 2022, respectively. The contractual undiscounted cash flows of the Group's notes payable and related interest expenses more than 1 year but within 5 years are approximately nil, RMB2,326 million, RMB2,247 million and RMB2,224 million, as at December 31, 2019, 2020, 2021 and March 31, 2022, respectively. The contractual undiscounted cash flows of the Group's notes payable and related interest expenses over 5 years are nil, RMB3,589 million, RMB3,443 million and RMB3,396 million, as at December 31, 2019, 2020, 2021 and March 31, 2022, respectively.

Apart from the above, majority of its financial liabilities comprised lease liabilities, accounts payable, and other payables and accruals. Except for the other payables and accruals are due for settlement contractually within 12 months, the contractual undiscounted cash flows of the

Group's lease liabilities payable in the next twelve months are RMB78 million, RMB116 million, RMB108 million and RMB101 million, as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively. The contractual undiscounted cash flows of the Group's lease liabilities payable more than 1 year but within 5 years are RMB82 million, RMB248 million, RMB209 million and RMB191 million, as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively. The contractual undiscounted cash flows of the Group's lease liabilities payable over 5 years are RMB17 million and RMB16 million as at December 31, 2021, and March 31, 2022, while no contractual undiscounted cash flows of the Group's lease liabilities payable over 5 years as at December 31, 2019, 2020, respectively.

The contractual undiscounted cash flows of the Group's accounts payable in the next twelve months are RMB2,559 million, RMB3,567 million, RMB4,331 million and RMB5,167 million, as at December 31, 2019, 2020, 2021 and March 31, 2022, respectively. The contractual undiscounted cash flows of the Group's accounts payable more than 1 year but within 5 years are nil, RMB150 million, RMB100 million and RMB100 million, as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively.

3.2 Capital risk management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the directors of the Company consider the risk of the Group's capital structure is remote as the Group has a net cash position.

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at December 31, 2019, 2020 and 2021 and March 31, 2022, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the Group's financial instruments carried at fair values comprised financial assets at fair value through other comprehensive income (Note 18(a)) stated in the consolidated balance sheets were measured at level 1 hierarchy, while other investments (Note 18(b)) and short-term investments (Note 18(c)) at level 3 fair value hierarchy.

The fair value of financial instruments traded in active markets is determined with reference to quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. The team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

The components of the level 3 instruments mainly include short-term investments and investments in unlisted companies classified as other investment. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach and comparable transactions approach, etc. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, the significant unobservable inputs of expected rate of return for short-term investments were 2.55% to 4.00%, 2.55%, 1.65% to 5.59%, 2.13% to 3.51%, and 2.25% to 4.61%, respectively. The higher the expected rate of return, the higher the fair value.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, there was no transfer between level 1, 2 and 3 for recurring fair value measurements. Movement of the financial assets at fair value that using level 3 measurements, represented other investments (Note 18(b)) and short-term investments (Note 18(c)). Movement of the financial liabilities at fair value using level 3 measurements, solely represented contingent considerations resulted from business combination is analyzed as below:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
				(Unaudited)	
At beginning of the year/period	63	112	—	—	—
Fair value change	49	—	—	—	—
Settlement	—	(112)	—	—	—
At end of the year/period	112	—	—	—	—

4 Critical accounting estimates and judgments

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Consolidation of VIEs

As disclosed in Note 1.2, the Group exercises control over the VIEs and has the right to recognize and receive substantially all the economic benefits through the Contractual Arrangements. The Group considers that it controls the VIEs notwithstanding the fact that it does not hold direct equity interests in the VIEs, as it has power over the financial and operating policies of the VIEs and receive substantially all the economic benefits from the business activities of the VIEs through the Contractual Arrangements. Accordingly, all these VIEs are accounted for as controlled structured entities and their financial statements have also been consolidated by the Company.

(b) The estimates of the lifespans of durable virtual gifts

Users purchase certain durable virtual gifts on the Group's online karaoke and live streaming platforms and the relevant revenue is recognized based on the estimated lifespans of the virtual gifts. The estimated lifespans are determined by the management based on the expected service period derived from historical data of user relationship period.

Significant judgments are required in determining the expected user relationship periods, including but not limited to historical users' activities patterns and churn out rate. The Group has adopted a policy of assessing the estimated lifespans of virtual gifts on a regular basis whenever there is any indication of change in the expected user relationship periods.

Any change in the estimates may result in the revenue being recognized on a different basis from that in prior periods.

(c) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Goodwill and other non-financial assets, mainly including property, plant and equipment, right-of-use assets, intangible assets, as well as investments accounted for using equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the revenue growth and margin, terminal growth rates and pre-tax discount rates assumptions adopted in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to income statement.

(d) Share-based compensation arrangements

The Group measures the cost of equity-settled transactions with employees and non-employees by making reference to the fair value of the equity instruments at the date at which they are granted. The fair value is estimated using a model which requires the determination of the appropriate inputs. The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the respective vesting periods of the options and awarded shares (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses to be charged to the consolidated income statement. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 24.

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current income tax and deferred income tax in the period in which such determination is made.

(f) Scope of consolidation

Consolidation is required only if control exists. The Group controls an investee when it has all the following: (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. Power results from rights that can be straightforward through voting rights or complicated in contractual arrangements. Variable returns normally encompass financial benefits and risks, but in certain cases, they also include operational values specific to the Group. These three factors cannot be considered in isolation by the Group in its assessment of control over an investee. Where the factors of control are not apparent, significant judgment is applied in the assessment, which is based on an overall analysis performed on all of the relevant facts and circumstances.

The Group is required to reassess whether it controls the investee if facts and circumstances indicate a change to one or more of the three factors of control.

5 Revenue

During the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, revenue contributed by music subscription packages, which were recognized over time, amounted to RMB3,563 million, RMB5,560 million, RMB7,333 million, RMB1,692 million and RMB1,993 million, respectively.

During the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, the majority of the revenue from online music services are recognized over time and the majority of the revenue from social entertainment services are recognized at a point in time.

As at December 31, 2019, 2020 and 2021, and March 31, 2022, incremental contract costs related to contracts with customers were not material to the Group.

The Group does not disclose the information about the remaining performance obligations as the performance obligations of the Group have an expected duration of one year or less.

Details of contract liabilities were disclosed in Note 27.

6 Interest Income

Interest income mainly represents interest income from bank deposits, including bank balance and term deposits.

7 Other gains, net

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* **(Unaudited)**	*RMB'million*
Government grants and tax rebates (note)	132	245	393	101	53
Impairment provision for investments in associates (Note 17)	(43)	(4)	—	—	—
Gain on step-up acquisition arising from business combination	—	19	8	—	2
Fair value change of investments	(37)	—	105	1	9
Gain/(loss) on disposal of a subsidiary	—	32	(10)	(10)	—
Dividend from investments	—	—	27	—	3
Others	26	70	30	7	14
	78	362	553	99	81

Note: There are no unfulfilled conditions or contingencies related to these subsidies.

8 Expenses by nature

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* **(Unaudited)**	*RMB'million*
Service costs (note i)	14,967	17,478	18,992	4,673	4,114
Advertising agency fees	233	505	667	192	95
Employee benefits expenses (note ii and note iii)	2,527	3,004	3,915	877	1,021
Promotion and advertising expenses	1,823	2,227	2,387	609	258

Notes:

(i) Service costs mainly comprised licensing costs, revenue sharing fees paid to content creators and content delivery costs that primarily consisted of server, cloud services and bandwidth costs.

(ii) During the years ended December 31, 2019, 2020, 2021 and the three months ended March 31, 2021 and 2022, the Group incurred expenses for the purpose of research and development of approximately RMB1,159 million, RMB1,667 million, RMB2,339 million, RMB504 million and RMB596 million, which comprised employee benefits expenses of RMB1,012 million, RMB1,488 million, RMB2,050 million, RMB452 million and RMB525 million, respectively. No significant development expenses had been capitalized for the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022.

(iii) Employee benefits expenses

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
				(Unaudited)	
Wages, salaries and bonuses	1,616	2,020	2,518	584	672
Welfare, medical and other expenses	295	373	453	89	102
Share-based compensation expenses	519	569	752	162	189
Contribution to pension plans	97	42	192	42	58
	2,527	3,004	3,915	877	1,021

Majority of the Group's contributions to pension plans are related to the local employees in the PRC. All local employees of the subsidiaries in the PRC participate in employee social security plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organized and administered by the governmental authorities. Other than the contributions made to these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings and caps imposed. These contributions are paid to the respective labor and social welfare authorities and are expensed as incurred.

9 Finance costs

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
				(Unaudited)	
Interest and related expenses	68	99	120	31	29
Exchange (gains)/losses	(4)	(2)	1	—	1
	64	97	121	31	30

10 Taxation

(a) Income tax expense

Income tax expense is recognized based on management's best knowledge of the income tax rates expected for the year/period.

(i) Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Additionally, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) Hong Kong

Under the current tax laws of Hong Kong, TME Hong Kong is subject to Hong Kong profits tax at 16.5% on its taxable income generated from the operations in Hong Kong. Dividends from TME Hong Kong is not subject to Hong Kong profits tax.

(iii) PRC

Under the Corporate Income Tax ("CIT") Law in the PRC, foreign invested enterprises and domestic enterprises are subject to a unified CIT rate of 25%, except for available preferential tax treatments, including tax concession for enterprise approved as "High and New Technology Enterprise" ("HNTE") "Software Enterprise" ("SE") and "Key Software Enterprise" ("KSE"), and enterprise established in certain special economic development zones. Qualified HNTE is eligible for a preferential tax rate of 15%, Qualified SE is entitled to an exemption from income tax for the first two years, commencing from the first profitable year, and a reduction of half tax rate for the next three years and Qualified KSE is eligible for a preferential tax rate of 10%.

Beijing Kuwo and a subsidiary of the Group, Guangzhou Fanxing Entertainment Information Technology Co., Ltd. ("Fanxing"), have been recognized as HNTE by relevant government authorities and were entitled a to preferential tax rate of 15% for the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022. Guangzhou Kugou has also been recognized as HNTE by the relevant government authorities and was entitled to a preferential tax rate of 15% for the years ended December 31, 2019 and 2020, and subject to the unified CIT rate of 25% for the year ended December 31, 2021 and the three months ended March 31, 2021 and 2022. Yeelion Online and TME Tech Shenzhen were qualified as SE and have entitled to tax holidays starting from the year ended December 31, 2017 (i.e. their first profitable year in 2017). Yeelion Online and TME Tech Shenzhen were further qualified as KSE and entitled to a preferential tax rate of 10% for the year ended December 31, 2019. For the years ended December 31, 2020 and 2021, and the three months ended March 31, 2021, Yeelion Online and TME Tech Shenzhen were entitled to a reduced tax rate of 12.5%. For the three months ended March 31, 2022, Yeelion Online and TME Tech Shenzhen were recognized as HNTE by relevant government authorities and were entitled to a preferential tax rate of 15%. Yeelion Online Network Technology (Tianjin) Co., Ltd. ("Yeelion Online Tianjin") and Guangzhou Shiyinlian Software Technology Co., Ltd. ("Shiyinlian") were qualified as SE and have been entitled to tax holidays for the years ended December 31, 2019 and 2020 (i.e. starting from their first profitable year in 2019), and they were entitled to a reduced tax rate of 12.5% for the year ended December 31, 2021 and the three months ended March 31, 2021 and 2022.

Furthermore, certain subsidiaries of the Group are subject to other preferential tax treatment for certain reduced tax rates ranging from 2.5% to 10% for the Track Record Period.

The income tax expense of the Group is analyzed as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
				(Unaudited)	
Current income tax	703	634	530	263	118
Deferred income tax (note b)	(140)	(178)	(113)	(136)	(28)
Total income tax expense	563	456	417	127	90

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, being the tax rate of the major subsidiaries of the Group before enjoying preferential tax treatments, as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
				(Unaudited)	
Profit before income tax expense	4,540	4,632	3,632	1,106	739
Tax calculated at a tax rate of 25%	1,135	1,158	908	277	185
Effects of different tax rates applicable to different subsidiaries of the Group	(36)	34	29	12	3
Effects of tax holiday on assessable profit of certain subsidiaries	(88)	(214)	(34)	(10)	—
Effects of preferential tax rate on assessable profit of certain subsidiaries	(556)	(631)	(664)	(215)	(159)
Expense not deductible for tax purposes	133	82	191	41	51
Income not subject to tax	—	—	(3)	—	—
Unrecognized deferred income tax assets	16	46	27	46	29
Utilization of previously unrecognized tax assets	(50)	(11)	(38)	(18)	(12)
Others	9	(8)	1	(6)	(7)
	563	456	417	127	90

The aggregate amount and per share effect of the tax holiday are as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
				(Unaudited)	
Effects of tax holiday on assessable profit of certain subsidiaries	88	214	34	10	—
Per ordinary share effect—basic	0.03	0.06	0.01	0.00	0.00
Per ordinary share effect—diluted	0.03	0.06	0.01	0.00	0.00

The Group's profit before tax consists of:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* (Unaudited)	*RMB'million*
Non-PRC	470	(4)	(5)	(31)	21
PRC	4,070	4,636	3,637	1,137	718
	4,540	4,632	3,632	1,106	739

(b) Deferred income tax

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
The deferred tax assets comprise temporary differences attributable to:				
Prepayment and other investments	61	105	134	131
Deferred revenue	46	55	83	74
Accruals	74	136	118	139
Others	19	12	15	17
Total deferred tax assets	200	308	350	361
Set-off of deferred tax liabilities pursuant to set-off provisions	(8)	(5)	(4)	(4)
Net deferred tax assets	192	303	346	357
The deferred tax liabilities comprise temporary differences attributable to:				
Intangible assets acquired in business combinations	305	270	275	258
Total deferred tax liabilities	305	270	275	258
Set-off of deferred tax liabilities pursuant to set-off provisions	(8)	(5)	(4)	(4)
Net deferred liabilities	297	265	271	254

The recovery of deferred income tax:

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Deferred tax assets:				
to be recovered after more than 12 months	43	38	48	70
to be recovered within 12 months	149	265	298	287
	192	303	346	357
Deferred tax liabilities:				
to be recovered after more than 12 months	229	203	201	186
to be recovered within 12 months	68	62	70	68
	297	265	271	254

The movements of deferred income tax assets were as follows:

	Prepayment and other investments	Deferred revenue	Accruals	Others	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
At January 1, 2019	39	30	40	22	131
Credited/(charged) to income statement	22	16	34	(3)	69
At December 31, 2019	61	46	74	19	200
Credited/(charged) to income statement	44	9	62	(7)	108
At December 31, 2020	105	55	136	12	308
Credited/(charged) to income statement	29	28	(18)	3	42
At December 31, 2021	134	83	118	15	350
(Charged)/credited to income statement	(3)	(9)	21	2	11
At March 31, 2022	131	74	139	17	361

The Group only recognizes deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at December 31, 2019, 2020 and 2021 and March 31, 2022, the Group did not recognize deferred income tax assets of RMB42 million, RMB96 million, RMB130 million and RMB98 million, respectively in respect of cumulative tax losses amounting to RMB436 million, RMB664 million, RMB674 million and RMB711 million, respectively. These tax losses will generally expire from 2022 to 2027.

The movements of deferred income tax liabilities were as follows:

	Intangible assets
	RMB'million
At January 1, 2019	362
Credited to income statement	(71)
Business combinations	14
At December 31, 2019	305
Credited to income statement	(70)
Business combinations (Note 28)	35
At December 31, 2020	270
Credited to income statement	(71)
Business combinations (Note 28)	76
At December 31, 2021	275
Credited to income statement	(17)
At March 31, 2022	258

11 Earnings per share

(a) Basic earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year/period.

(b) Diluted earnings per share

For the calculation of diluted earnings per share, weighted average number of ordinary shares outstanding is adjusted by the effect of dilutive securities, including share-based awards in respect of share options and restricted share units ("RSU") as well as puttable shares, under the treasury stock method (collectively forming the denominator for computing the diluted earnings per share). Potentially dilutive securities, including share options, RSU and puttable shares, have been excluded from the computation of weighted average number of ordinary shares for the purpose of diluted earnings per share if their inclusion is anti-dilutive. No adjustments is made to earnings (numerator).

The following table sets forth the computation of basic and diluted earnings per share:

	Year ended December 31,			**Three months ended March 31,**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
				(Unaudited)	
Earnings					
Net profit attributable to equity holders of the Company	3,982	4,155	3,029	926	609

	Number of shares				
	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Shares					
Weighted average ordinary shares outstanding, used in computing basic earnings per share	3,272,754,403	3,313,527,847	3,321,067,177	3,354,845,726	3,273,281,390
Dilution effect- adjustments for share options and RSUs	74,817,935	46,932,912	41,978,580	48,744,431	28,848,711
Shares used in computing diluted earnings per share	3,347,572,338	3,360,460,759	3,363,045,757	3,403,590,157	3,302,130,101
	RMB	**RMB**	**RMB**	**RMB**	**RMB**
Basic earnings per share for Class A and Class B ordinary shares	1.22	1.25	0.91	0.28	0.19
Diluted earnings per share for Class A and Class B ordinary shares	1.19	1.24	0.90	0.27	0.18
Basic earnings per ADS	2.43	2.51	1.82	0.55	0.37
Diluted earnings per ADS	2.38	2.47	1.80	0.54	0.37

Note: One ADS represents two Class A ordinary shares of the Company.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, certain share options, certain RSU and puttable shares that were anti-dilutive and being excluded from the calculation of diluted earnings per share were immaterial on a weighted average basis.

12 Property, plant and equipment

	Servers and network equipment	Leasehold improve -ments	Office furniture, equipment and others	Total
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
At January 1, 2019				
Cost	217	88	30	335
Accumulated depreciation	(96)	(57)	(14)	(167)
Net book amount	121	31	16	168
Year ended December 31, 2019				
Opening net book amount	121	31	16	168
Additions	63	13	24	100
Business combinations	—	—	1	1
Disposals	—	(1)	(1)	(2)
Depreciation charge	(60)	(17)	(11)	(88)
Closing net book amount	124	26	29	179
At December 31, 2019				
Cost	264	59	41	364
Accumulated depreciation	(140)	(33)	(12)	(185)
Net book amount	124	26	29	179
Year ended December 31, 2020				
Opening net book amount	124	26	29	179
Additions	53	11	33	97
Business combinations	1	—	1	2
Disposals	(1)	—	—	(1)
Depreciation charge	(66)	(13)	(22)	(101)
Closing net book amount	111	24	41	176
At December 31, 2020				
Cost	315	67	70	452
Accumulated depreciation	(204)	(43)	(29)	(276)
Net book amount	111	24	41	176
Year ended December 31, 2021				
Opening net book amount	111	24	41	176
Additions	32	81	79	192
Business combinations	1	—	1	2
Disposals	(1)	(6)	(21)	(28)
Depreciation charge	(59)	(19)	(21)	(99)
Closing net book amount	84	80	79	243

	Servers and network equipment	Leasehold improve -ments	Office furniture, equipment and others	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
At December 31, 2021				
Cost	344	137	128	609
Accumulated depreciation	(260)	(57)	(49)	(366)
Net book amount	84	80	79	243
Period ended March 31, 2022				
Opening net book amount	84	80	79	243
Additions	8	11	10	29
Depreciation charge	(12)	(7)	(6)	(25)
Closing net book amount	80	84	83	247
At March 31, 2022				
Cost	354	148	129	631
Accumulated depreciation	(274)	(64)	(46)	(384)
Net book amount	80	84	83	247
(Unaudited)				
At January 1, 2021				
Cost	315	67	70	452
Accumulated depreciation	(204)	(43)	(29)	(276)
Net book amount	111	24	41	176
Period ended March 31, 2021				
Opening net book amount	111	24	41	176
Additions	5	4	19	28
Business combinations	1	—	1	2
Depreciation charge	(16)	(3)	(6)	(25)
Closing net book amount	101	25	55	181
At March 31, 2021				
Cost	323	72	91	486
Accumulated depreciation	(222)	(47)	(36)	(305)
Net book amount	101	25	55	181

During the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, depreciation was charged to the consolidated income statements as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
				(Unaudited)	
Cost of revenues	64	74	66	18	14
Selling and marketing expenses	1	1	—	—	—
General and administrative expenses	23	26	33	7	11
	88	101	99	25	25

13 Land use rights

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* (Unaudited)	*RMB'million*
Net book amount at January 1	—	—	—	—	1,495
Additions	—	—	1,504	—	1,052
Amortization charge	—	—	(9)	—	(12)
Net book amount at December 31/March 31	—	—	1,495	—	2,535

In October 2021 and March 2022, the Group acquired land use rights with consideration of approximately RMB1.5 billion and RMB1.05 billion, respectively. The land use rights mainly represent prepaid operating lease payments in respect of land in the Mainland China with lease period ranging from 30 to 40 years.

14 Right-of-use assets

The carrying amounts of right-of-use assets are as below:

	Buildings	Others	Total
	RMB'million	*RMB'million*	*RMB'million*
Net book amount at January 1, 2019	100	—	100
Inception of new leases	89	20	109
Depreciation charge	(53)	(8)	(61)
Net book amount at December 31, 2019	136	12	148
Inception of new leases	257	—	257
Depreciation charge	(76)	(10)	(86)
Disposal	(8)	—	(8)
Net book amount at December 31, 2020	309	2	311
Inception of new leases	117	—	117
Depreciation charge	(122)	(1)	(123)
Disposal	(22)	—	(22)
Net book amount at December 31, 2021	282	1	283
Inception of new leases	17	—	17
Depreciation charge	(32)	—	(32)
Net book amount at March 31, 2022	267	1	268

	Buildings	Others	Total
	RMB'million	*RMB'million*	*RMB'million*
(Unaudited)			
Net book amount at January 1, 2021	309	2	311
Inception of new leases	18	—	18
Depreciation charge	(28)	(1)	(29)
Disposal	(4)	—	(4)
Net book amount at March 31, 2021	295	1	296

The interest expense arising from lease liabilities (included in finance costs) and expenses related to short-term leases (included in cost of revenue and expenses) are as below:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* **(Unaudited)**	*RMB'million*
Interest expense (included in finance costs)	7	9	15	4	4
Expense relating to short-term leases (included in cost of revenues and expenses)	227	264	331	81	88

During the years ended December 31, 2019, 2020, 2021 and the three months ended March 31, 2021 and 2022, the lease of low value were immaterial and there were no lease with variable lease payment.

The total cash outflow in financing activities for leases in the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022 was RMB63 million, RMB84 million, RMB130 million, RMB28 million and RMB34 million, respectively, including principal elements of lease payments of approximately RMB56 million, RMB78 million, RMB116 million, RMB23 million and RMB29 million, and related interest paid of approximately RMB7 million, RMB6 million, RMB14 million, RMB5 million and RMB5 million, respectively.

Accordingly, the total cash outflow for leases in the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022 was RMB290 million, RMB348 million, RMB461 million, RMB109 million and RMB122 million, respectively.

The Group considered the lease as a single transaction in which the asset and liability are integrally linked and no net temporary difference at inception. As at December 31, 2019, 2020, 2021 and March 31, 2022, net temporary difference arose on settlement of the liability and the amortization of the leased asset on which deferred tax was immaterial.

Extension and termination options are included in a number of leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

15 Intangible assets

	Domain name, trademark and Internet audio/video program transmission license	Copyrights	Supplier resources	Corporate customer relationships	Non-compete agreement	Others	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
At January 1, 2019							
Cost	1,340	285	335	238	134	125	2,457
Accumulated amortization	(287)	(13)	(123)	(152)	(71)	(48)	(694)
Net book amount	1,053	272	212	86	63	77	1,763
Year ended December 31, 2019							
Opening net book amount	1,053	272	212	86	63	77	1,763
Additions	—	225	—	—	—	12	237
Business combinations	—	34	—	—	22	—	56
Amortization charge	(116)	(157)	(52)	(42)	(33)	(34)	(434)
Closing net book amount	937	374	160	44	52	55	1,622
At December 31, 2019							
Cost	1,340	544	335	185	156	136	2,696
Accumulated amortization	(403)	(170)	(175)	(141)	(104)	(81)	(1,074)
Net book amount	937	374	160	44	52	55	1,622
Year ended December 31, 2020							
Opening net book amount	937	374	160	44	52	55	1,622
Additions	—	876	—	—	—	13	889
Business combinations (Note 28)	—	145	—	—	—	1	146
Amortization charge	(116)	(365)	(51)	(40)	(34)	(31)	(637)
Closing net book amount	821	1,030	109	4	18	38	2,020
At December 31, 2020							
Cost	1,340	1,554	335	185	156	160	3,730
Accumulated amortization	(519)	(524)	(226)	(181)	(138)	(122)	(1,710)
Net book amount	821	1,030	109	4	18	38	2,020
Year ended December 31, 2021							
Opening net book amount	821	1,030	109	4	18	38	2,020
Additions	—	1,036	—	—	—	28	1,064
Business combinations (Note 28)	217	112	—	19	5	171	524
Amortization charge	(132)	(517)	(52)	(7)	(5)	(66)	(779)
Closing net book amount	906	1,661	57	16	18	171	2,829
At December 31, 2021							
Cost	1,557	2,672	335	204	161	357	5,286
Accumulated amortization	(651)	(1,011)	(278)	(188)	(143)	(186)	(2,457)
Net book amount	906	1,661	57	16	18	171	2,829

	Domain name, trademark and Internet audio/video program transmission license	Copyrights	Supplier resources	Corporate customer relationships	Non-compete agreement	Others	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Period ended March 31, 2022							
Opening net book amount	906	1,661	57	16	18	171	2,829
Additions	—	97	—	—	—	6	103
Amortization charge	(34)	(174)	(13)	(2)	(1)	(16)	(240)
Closing net book amount	872	1,584	44	14	17	161	2,692
At March 31, 2022							
Cost	1,557	2,784	335	204	161	355	5,396
Accumulated amortization	(685)	(1,200)	(291)	(190)	(144)	(194)	(2,704)
Net book amount	872	1,584	44	14	17	161	2,692
(Unaudited)							
At January 1, 2021							
Cost	1,340	1,554	335	185	156	160	3,730
Accumulated amortization	(519)	(524)	(226)	(181)	(138)	(122)	(1,710)
Net book amount	821	1,030	109	4	18	38	2,020
Period ended March 31, 2021							
Opening net book amount	821	1,030	109	4	18	38	2,020
Additions	—	194	—	—	—	7	201
Business combinations (Note 28)	217	87	—	19	5	168	496
Amortization charge	(31)	(105)	(13)	(3)	(2)	(12)	(166)
Closing net book amount	1,007	1,206	96	20	21	201	2,551
At March 31, 2021							
Cost	1,557	1,900	335	204	161	326	4,483
Accumulated amortization	(550)	(694)	(239)	(184)	(140)	(125)	(1,932)
Net book amount	1,007	1,206	96	20	21	201	2,551

During the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, amortization was charged to the consolidated income statements as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* (Unaudited)	*RMB'million*
Cost of revenues	239	434	577	125	191
Selling and marketing expenses	42	41	19	4	4
General and administrative expenses	153	162	183	37	45
	434	637	779	166	240

16 Goodwill

	Year ended December 31,			Three months ended March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
At January 1	17,088	17,140	17,492	19,121
Business combinations	52	352	1,641	5
Disposals	—	—	(12)	—
At December 31/March 31	17,140	17,492	19,121	19,126

For the purpose of goodwill impairment tests, goodwill was allocated to the group of CGUs that below the level of operating segment of the Group, including goodwill related to (i) online music and social entertainment operations, which mainly arose from the Merger in 2016 (Note 1.1) and the acquired long-form audio company (Note 28(b)); and (ii) certain music content business and others, as below:

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Online music and social entertainment operations	16,262	16,262	17,842	17,842
Music content business and others	878	1,230	1,279	1,284
	17,140	17,492	19,121	19,126

The Group carries out its impairment testing on goodwill at each end of the reporting period end by comparing the recoverable amounts of CGUs or groups of CGUs to their carrying amounts. The recoverable amount of a CGU (or groups of CGUs) is the higher of its fair value less costs of disposal and its value in use.

During the Track Record Period, value in use approach was used in deriving the recoverable amounts of each of the above allocated goodwill, which calculated based on five-year financial projects using discount cash flows. No impairment loss was recognized as a result of the impairment assessment performed during the Track Record Period.

For online music and social entertainment operations as stated above, value in use using discounted cash flows was calculated based on five-year financial projections with an annual revenue growth of not more than 15%, 13%, 5% and 5%, plus a terminal value related to cash flows beyond the projection period extrapolated at an estimated terminal growth rate of not more than 3%, as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively. Pre-tax discount rate of 13.5%, 13.0%, 14.0% and 14.0% were applied, as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively, which reflected assessment of time value and specific risks relating to the industries that the Group operates in.

For the music content business and others, value in use using discounted cash flows was calculated, generally, based on five-year financial projections with an average compound annual revenue growth of not more than 32%, 22%, 26% and 26%, plus an estimated terminal growth rate of not more than 3%, as at December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. Pre-tax discount rates of ranging from 17.0% to 18.0%, ranging from 16.0% to 17.5%, 16.0% and 16.0% were applied, as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively, which reflected assessment of time value and specific risks relating to the industries that the Group operates in.

Management leveraged their experiences in the industries and provided forecast based on past performance and their anticipation of future business and market developments.

Management has not identified reasonably possible change in key assumptions that could cause carrying amounts of the above CGUs (or groups of CGUs) to exceed the recoverable amounts as headroom of more than RMB7.2 billion, RMB10.2 billion, RMB5.1 billion and RMB4.4 billion as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively, for online music and social entertainment operations and headroom of more than RMB0.1 billion, RMB0.1 billion, RMB2.6 billion and RMB2.4 billion as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively, for music content business and others, were resulted from the impairment reviews over their respective carrying amounts.

For the online music and social entertainment operations, if the annual revenue growth rate decreases by 3.6, 4.5, 2.5 and 2.1 percentage points as at December 31, 2019, 2020 and 2021, and March 31 2022, respectively or pre-tax discount rate increases by 4.3, 6.5, 2.9 and 2.4 percentage points as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively, the headroom will be eliminated.

For the music content business and others, if the annual revenue growth rate decreases by 1.9, 1.3, 12.1 and 11.6 percentage points as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively or pre-tax discount rate increases by 1.6, 0.9, 21.6 and 17.2 percentage points as at December 31, 2019, 2020 and 2021, and March 31 2022, respectively, the headroom will be eliminated.

17 Investments accounted for using equity method

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Investments in associates	422	2,196	3,522	3,576
Investments in joint ventures	67	59	77	76
	489	2,255	3,599	3,652

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* **(Unaudited)**	*RMB'million*
Share of (loss)/profit of investments accounted for using equity method:					
Associates	(9)	23	(45)	(26)	20
Joint ventures	(9)	(4)	(2)	(1)	—
	(18)	19	(47)	(27)	20

Movement of investments in associates and joint ventures is analyzed as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* **(Unaudited)**	*RMB'million*
At January 1	236	489	2,255	2,255	3,599
Additions (note i)	333	1,923	1,550	1,308	70
Business combinations	—	4	—	—	—
Share of (loss)/profit, net	(18)	19	(47)	(27)	20
Share of other comprehensive (losses)/income	(1)	(9)	4	(17)	15
Disposal	(1)	—	—	—	—
Step acquisition accounted for as business combination	—	(21)	(26)	—	(18)
Impairment provision (note ii)	(43)	(4)	—	—	—
Capital reduction	—	—	—	—	(20)
Currency translation differences	3	(146)	(60)	32	(14)
Dividend received	(20)	—	(77)	—	—
At December 31/March 31	489	2,255	3,599	3,551	3,652

Notes:

(i) In March 2020, the Group completed the investment of 9.94% equity interest in a consortium, Concerto Partners LLC ("Concerto"), which is led by Tencent to acquire a 10% equity stake in Universal Music Group ("UMG"), for an investment consideration of EUR200 million (equivalent to approximately RMB1,531 million).

In January 2021, the Group completed the additional investment in Concerto for an investment consideration of EUR161 million (equivalent to approximately RMB1,270 million) in the same proportion of the Group's equity stake.

According to the shareholders agreement of Concerto, the Group is able to participate in certain key decision making process of Concerto and therefore, this investment is accounted for as investment in an associate.

(ii) Both external and internal sources of information of associates are considered in assessing whether there is any indication that the investments maybe impaired, including but not limited to their financial positions, business performances and market capitalization. During the years ended December 31, 2019 and 2020, the impairment losses mainly were resulted from revisions of financial business outlook of the associates and changes in the market environment of the underlying business. During the year ended December 31, 2021, and the three months ended March 31, 2021 and 2022, no impairment loss was recognized.

(iii) The associates and joint ventures of the Group have been accounted for by using equity method based on the financial information of the associates and joint ventures prepared under the accounting policies generally consistent with those of the Group. None of the Group's associates and joint ventures are considered individually material to the Group and the aggregate amount of the Group's share of those individually immaterial associates and joint ventures' total comprehensive income or loss, comprised the share of profit or loss and other comprehensive income or loss as presented above, was loss of RMB19 million, income of RMB10 million, loss of RMB43 million, loss of RMB44 million and income of RMB35 million for the years ended December 31, 2019, 2020 and 2021, and three months ended March 31, 2021 and 2022, respectively.

There are no material contingent liabilities relating to the Group's interests in the investments accounted for using equity method.

18 Financial assets at fair value

(a) Financial assets at fair value through other comprehensive income

As at December 31, 2019, the Group's financial assets at fair value through other comprehensive income mainly represented its listed equity investment in Spotify Technology S.A. ("Spotify"). As at December 31, 2020, 2021, and March 31, 2022, the Group's financial assets at fair value through other comprehensive income mainly represented its listed equity investment in Spotify and Warner Music Group Corp ("WMG").

Movement of financial assets at fair value through other comprehensive income is analyzed as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* **(Unaudited)**	*RMB'million*
Listed equity investments					
At January 1	3,331	4,461	9,771	9,771	7,302
Additions	—	708	—	—	—
Disposal	—	—	(163)	—	—
Fair value change	1,031	5,219	(2,128)	(1,404)	(2,366)
Currency translation differences	99	(617)	(178)	65	(32)
At December 31/March 31	4,461	9,771	7,302	8,432	4,904

(b) Other investments

Other investments represent financial assets at fair value through profit or loss. Movement of other investments is analyzed as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* **(Unaudited)**	*RMB'million*
At January 1	256	255	386	386	236
Additions	3	132	—	—	150
Fair value change	—	—	53	—	—
Disposal	(4)	(1)	(200)	—	—
Currency translation differences	—	—	(3)	1	(1)
At December 31/March 31	255	386	236	387	385
Of which are:					
Current	38	37	37	37	37
Non-current	217	349	199	350	348
	255	386	236	387	385

(c) Short-term investments

Short-term investments represent investments issued by commercial banks in the PRC with a variable return and accounted for as financial assets at fair value through profit or loss. Movement of short-term investments is analyzed as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* **(Unaudited)**	*RMB'million*
At January 1	42	6	—	—	1,029
Additions	38	—	5,616	2,416	70
Business combinations	—	—	100	100	—
Fair value change	—	—	52	1	9
Disposal	(74)	(6)	(4,739)	—	(20)
At December 31/March 31	6	—	1,029	2,517	1,088

19 Prepayments, deposits and other assets

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Included in non-current assets				
Prepaid content royalties	816	956	743	675
Included in current assets				
Prepaid content royalties	1,600	1,882	1,755	1,586
Value-added tax recoverable	153	149	136	139
Prepaid vendors deposits and other receivables	199	484	404	392
Prepaid promotion and other expenses	133	239	329	410
Receivable from Tencent (Note 32(b))	50	39	51	52
Others	85	53	56	111
	2,220	2,846	2,731	2,690

20 Accounts receivable

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Accounts receivable	2,209	2,814	3,630	2,536
Less: loss allowance for expected credit losses	(11)	(14)	(20)	(23)
Accounts receivable, net	2,198	2,800	3,610	2,513
Aging analysis of the accounts receivable based on invoice date:				
Up to 3 months	1,913	2,490	2,804	1,821
3 to 6 months	116	165	321	243
Over 6 months	180	159	505	472
	2,209	2,814	3,630	2,536

The loss allowances for accounts receivable as at December 31, 2019, 2020 and 2021 and March 31, 2021 and 2022 reconciled to the opening loss allowances as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
				(Unaudited)	
At January 1	7	11	14	14	20
Provision for loss allowance recognized in income statement	18	8	9	3	4
Receivables written off during the year/period as uncollectible	(14)	(5)	(3)	—	(1)
At December 31/March 31	11	14	20	17	23

21 Term deposits and cash and cash equivalents

(a) Term deposits

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the Group's term deposits were denominated in RMB and US$.

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the carrying amounts of the term deposits with initial terms of over three months approximated their fair values.

(b) Cash and cash equivalents

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Cash at bank	8,892	11,108	6,591	8,353
Term deposits with initial terms within three months	6,534	20	—	—
	15,426	11,128	6,591	8,353

22 Share capital

	Number of issued shares*	Share capital *RMB'million*	Additional paid-in capital *RMB'million*	Shares held for share award schemes *RMB'million*	Treasury shares *RMB'million*
Balance January 1, 2019 (US$0.000083 par value; 4,800,000,000 shares authorized)	3,265,986,486	2	33,776	—	—
Issuance of ordinary shares (note i)	280,512	—	12	—	—
Employee share award schemes					
— Exercise of share options/ RSUs	—	—	637	—	—
— Shares held for share award schemes (note ii)	—	—	—	(31)	—
— Shares allotted and issued for share award schemes (note iii)	88,798,940	—	—	—	—
Balance December 31, 2019 (US$0.000083 par value; 4,800,000,000 shares authorized)	3,355,065,938	2	34,425	(31)	—
Employee share award schemes					
— Exercise of share options/ RSUs	—	—	619	—	—
— Shares held for share award schemes (note ii)	—	—	—	(47)	—
— Shares allotted and issued for share award schemes (note iii)	30,077,800	—	—	—	—
Repurchase of ordinary shares (note iv)	—	—	—	—	(134)
Balance December 31, 2020 (US$0.000083 par value; 4,800,000,000 shares authorized)	3,385,143,738	2	35,044	(78)	(134)

	Number of issued shares*	Share capital RMB'million	Additional paid-in capital RMB'million	Shares held for share award schemes RMB'million	Treasury shares RMB'million
Expiry of put right of puttable ordinary shares (Note 26 (ii))	—	—	535	—	—
Employee share award schemes					
— Exercise of share options/ RSUs (note v)	—	—	659	—	35
— Shares held for share award schemes (note ii)	—	—	—	(105)	—
Issuance of ordinary shares	5,010,526	—	—	—	—
Repurchase of ordinary shares (note iv)	—	—	—	—	(3,561)
Balance December 31, 2021 (US$0.000083 par value; 4,800,000,000 shares authorized)	3,390,154,264	2	36,238	(183)	(3,660)
Employee share award schemes					
— Exercise of share options/ RSUs (note v)	—	—	(51)	—	233
— Shares held for share award schemes (note ii)	—	—	—	(3)	—
Repurchase of ordinary shares (note iv)	—	—	—	—	(237)
Balance March 31, 2022 (US$0.000083 par value; 4,800,000,000 shares authorized)	3,390,154,264	2	36,187	(186)	(3,664)
(Unaudited)					
Balance January 1, 2021 (US$0.000083 par value; 4,800,000,000 shares authorized)	3,385,143,738	2	35,044	(78)	(134)
Expiry of put right of puttable ordinary shares	—	—	535	—	—
Employee share award schemes					
— Exercise of share options/ RSUs	—	—	252	—	—
— Shares held for share award schemes (note ii)	—	—	—	(49)	—
Repurchase of ordinary shares (note iv)	—	—	—	—	(327)
Balance March 31, 2021 (US$0.000083 par value; 4,800,000,000 shares authorized)	3,385,143,738	2	35,831	(127)	(461)

As at December 31, 2019, 2020 and 2021 and March 31, 2022, analysis of the Company's issued shares is as follows:

	As at December 31, 2019		As at December 31, 2020		As at December 31, 2021		As at March 31, 2022	
	Number of issued shares	Share capital RMB' million	Number of issued shares	Share capital RMB' million	Number of issued shares	Share capital RMB' million	Number of issued shares	Share capital RMB' million
Class A ordinary shares	1,325,454,335	—	1,670,004,560	1	1,675,015,086	1	1,675,015,086	1
Class B ordinary shares	2,029,611,603	2	1,715,139,178	1	1,715,139,178	1	1,715,139,178	1
	3,355,065,938	2	3,385,143,738	2	3,390,154,264	2	3,390,154,264	2

* All issued shares were fully paid as at December 31, 2019, 2020 and 2021 and March 31, 2021 and 2022.

(i) On February 20, 2019, the Company completed a private placement, where the Company sold to Tencent 280,512 Class A ordinary shares with an aggregate value of US$1.8 million at the offering price per share in our initial public offering for distribution to its eligible shareholders as required by the relevant listing rules of the Hong Kong Stock Exchange.

(ii) During the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, the Share Scheme Trust withheld 617,634, 1,046,852, 1,878,732, 647,490 and 178,338 Class A ordinary shares of the Company for an amount of approximately RMB31 million, RMB47 million, RMB105 million, RMB49 million and RMB3 million, respectively, which had been deducted from the equity.

(iii) As at December 31, 2019, 2020, 2021 and March 31, 2022, 31,310,524, 35,763,090, 16,297,722 and 16,090,704 Class A ordinary shares are held in the Share Scheme Trust for the purpose of granting awarded shares to the participants under the Share Award Schemes, respectively.

(iv) Repurchase of shares

In December 2019, the board of directors of the Company authorized a share repurchase scheme under which the Company might repurchase up to US$400 million of its Class A ordinary shares in the form of ADSs during a twelve-month period commencing on December 15, 2019. During the year ended December 31, 2019, no ADS of the Company had been repurchased under the share repurchase program.

During the year ended December 31, 2020, the Company repurchased 1,936,742 ADSs from open market, at an aggregate consideration of approximately US$19 million.

In March 2021, the board of directors of the Company authorized another share repurchase program (the "Share Repurchase Program"), under which the Company may repurchase up to US$1 billion of its Class A ordinary shares in the form of ADSs (the "Repurchase Amount"). The first half of the Repurchase Amount has been completed during a twelve-month period commencing on March 29, 2021, while the second half of the Amount has been approved to perform during a twelve-month period commencing on December 15, 2021.

During the year ended December 31, 2021 and the three months ended March 31, 2021 and 2022, the Company repurchased 49,046,329, 2,503,192 and 7,263,402 ADSs from the open market, at an aggregate consideration of approximately US$553 million, US$50 million and US$37 million in cash, under the Share Repurchase Program.

The Company accounts for the repurchased ordinary shares as treasury stock under the cost method, and records it as a component of the shareholders' equity.

As at December 31, 2019, 2020 and 2021, and March 31, 2022, treasury shares of the Company amounted to nil, 1,936,742, 50,491,189 and 54,300,167 ADSs, respectively.

In April 2022, the Company executed certain cash enhanced share repurchase transactions with a total amount of US$100 million under the Share Repurchase Program with a third-party financial institution to repurchase its shares, which will be settled and expired in June 2022. The Company would recognize a liability at the present value of the expected amount to be paid for cash settlement of the transactions and upon actual settlement, the Group will recognize treasury shares if it is share settled.

(v) During the year ended December 31, 2021 and the three months ended March 31, 2022, the Company transferred 983,764 and 6,908,848 Class A ordinary shares from the Treasury shares to the grantees for the exercise of share options/RSUs, respectively.

23 Other reserves

	Share-based compensation reserve	Contribution from ultimate holding company	PRC statutory reserve	Foreign currency translation reserve	Fair value reserve	Others	Total other reserves
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
At January 1, 2019	1,416	463	79	451	(675)	(831)	903
Currency translation differences	—	—	—	261	—	—	261
Fair value changes on financial assets at fair value through other comprehensive income	—	—	—	—	1,031	—	1,031
Share of other comprehensive losses of an associate	—	—	—	—	—	(1)	(1)
Share based compensation	519	—	—	—	—	—	519
Exercise of share options/RSU	(465)	—	—	—	—	—	(465)
Additional investments in non-wholly owned subsidiaries	—	—	—	—	—	(76)	(76)
Profit appropriations to PRC statutory reserves	—	—	15	—	—	—	15
At December 31, 2019	1,470	463	94	712	356	(908)	2,187
Currency translation differences	—	—	—	(1,286)	—	—	(1,286)
Fair value changes on financial assets at fair value through other comprehensive income	—	—	—	—	5,219	—	5,219
Share of other comprehensive losses of an associate	—	—	—	—	—	(9)	(9)
Share based compensation	569	—	—	—	—	—	569
Exercise of share options/RSU	(429)	—	—	—	—	—	(429)

	Share-based compensation reserve	Contribution from ultimate holding company	PRC statutory reserve	Foreign currency translation reserve	Fair value reserve	Others	Total other reserves
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Additional investments in non-wholly owned subsidiaries	—	—	—	—	—	(2)	(2)
Profit appropriations to PRC statutory reserves	—	—	51	—	—	—	51
At December 31, 2020	1,610	463	145	(574)	5,575	(919)	6,300
Currency translation differences	—	—	—	(378)	—	—	(378)
Fair value changes on financial assets at fair value through other comprehensive income	—	—	—	—	(2,128)	—	(2,128)
Transfer of gains on disposal of financial instruments to retained earnings	—	—	—	—	(56)	—	(56)
Share of other comprehensive losses of associates	—	—	—	—	—	4	4
Share based compensation	647	—	—	—	—	—	647
Exercise of share options/RSU	(646)	—	—	—	—	—	(646)
Additional investments in a non-wholly owned subsidiary	—	—	—	—	—	(19)	(19)
Profit appropriations to PRC statutory reserves	—	—	2	—	—	—	2
At December 31, 2021	1,611	463	147	(952)	3,391	(934)	3,726
Currency translation differences	—	—	—	(64)	—	—	(64)
Fair value changes on financial assets at fair value through other comprehensive income	—	—	—	—	(2,366)	—	(2,366)
Share of other comprehensive losses of associates	—	—	—	—	—	15	15
Share based compensation	158	—	—	—	—	—	158
Exercise of share options/RSU	(179)	—	—	—	—	—	(179)
At March 31, 2022	1,590	463	147	(1,016)	1,025	(919)	1,290

	Share-based compensation reserve	Contribution from ultimate holding company	PRC statutory reserve	Foreign currency translation reserve	Fair value reserve	Others	Total other reserves
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
(Unaudited)							
At January 1, 2021	1,610	463	145	(574)	5,575	(919)	6,300
Currency translation differences	—	—	—	144	—	—	144
Fair value changes on financial assets at fair value through other comprehensive income	—	—	—	—	(1,404)	—	(1,404)
Share of other comprehensive losses of associates	—	—	—	—	—	(17)	(17)
Share based compensation	151	—	—	—	—	—	151
Exercise of share options/RSU	(226)	—	—	—	—	—	(226)
Additional investments in a non-wholly owned subsidiary	—	—	—	—	—	(19)	(19)
At March 31, 2021	1,535	463	145	(430)	4,171	(955)	4,929

24 Share based compensation

(a) Share-based compensation plans of the Company

The Group has adopted three share-based compensation plans, namely, the 2014 Share Incentive Plan, the 2017 Restricted Share Scheme and the 2017 Option Plan.

(i) 2014 Share Incentive Plan

2014 Share Incentive Plan was approved by the then board of directors of the Company in October 2014 prior to the Merger. According to the 2014 Share Incentive Plan, 96,704,847 ordinary shares have been reserved to be issued to any qualified employees, directors, non-employee directors, and consultants as determined by the board of directors of the Company. The options will be exercisable only if option holder continues employment or provides services through each vesting date. The maximum term of any issued stock option is ten years from the grant date.

Some granted options follow the first category vesting schedule, one-fourth (1/4) of which shall vest and become exercisable upon the first anniversary of the date of grant and one-eighth (1/8) of which shall vest and become exercisable on each half of a year anniversary thereafter. Some granted options follow the second category vesting schedule, one-fourth (1/4) of which shall vest upon the first anniversary of the grant date and one-sixteenth (1/16) of which shall vest on each three months thereafter. Under the second category vesting schedule, in the event of the

Company's completion of an IPO or termination of the option holder's employment agreement by the Company without cause, the vesting schedule shall be accelerated by a one year period (which means that the whole vesting schedule shall be shortened from four years to three years). For the third category vesting schedule, all options shall vest upon the first anniversary of the grant date, and in the event of the Company's completion of an IPO. The option holders may elect at any time to exercise any part or all of the vested options before the expiry date.

	Number of options	Weighted-average exercise price (US$)	Weighted-average grant date fair value (US$)
Outstanding as at January 1, 2019	56,736,209	0.19	1.94
Exercised	(42,091,694)	0.18	1.97
Forfeited	(747,211)	0.20	2.04
Outstanding as at December 31, 2019	13,897,304	0.23	1.92
Vested and expected to vest as at December 31, 2019	13,670,469	0.23	1.92
Exercisable as at December 31, 2019	12,007,012	0.23	1.91
Non vested as at December 31, 2019	1,890,292	0.24	1.92
Outstanding as at January 1, 2020	13,897,304	0.23	1.92
Exercised	(7,866,422)	0.23	1.91
Forfeited	(46,982)	0.27	1.91
Outstanding as at December 31, 2020	5,983,900	0.23	1.93
Vested and expected to vest as at December 31, 2020	5,983,900	0.23	1.93
Exercisable as at December 31, 2020	5,983,900	0.23	1.93
Non vested as at December 31, 2020	—	—	—
Outstanding as at January 1, 2021	5,983,900	0.23	1.93
Exercised	(2,992,122)	0.24	1.92
Outstanding as at December 31, 2021	2,991,778	0.22	1.94
Vested and expected to vest as at December 31, 2021	2,991,778	0.22	1.94
Exercisable as at December 31, 2021	2,991,778	0.22	1.94
Non vested as at December 31, 2021	—	—	—
Outstanding as at January 1, 2022	2,991,778	0.22	1.94
Exercised	(1,250,056)	0.22	1.94
Outstanding as at March 31, 2022	1,741,722	0.22	1.93
Vested and expected to vest as at March 31, 2022	1,741,722	0.22	1.93
Exercisable as at March 31, 2022	1,741,722	0.22	1.93
Non vested as at March 31, 2022	—	—	—
(Unaudited)			
Outstanding as at January 1, 2021	5,983,900	0.23	1.93
Exercised	(2,117,258)	0.24	1.91
Outstanding as at March 31, 2021	3,866,642	0.23	1.93
Vested and expected to vest as at March 31, 2021	3,866,642	0.23	1.93
Exercisable as at March 31, 2021	3,866,642	0.23	1.93
Non vested as at March 31, 2021	—	—	—

The weighted average price of the shares at the time these options were exercised was US$7.46 per share (equivalent to approximately RMB47.29), US$6.76 per share (equivalent to approximately RMB42.85), US$9.90 per share (equivalent to approximately RMB62.75), US$11.7 per share (equivalent to approximately RMB74.18) and US$2.86 per share (equivalent to approximately RMB18.14) during the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022.

Share options outstanding at the end of the year/period have the following expiry date and exercise prices:

Expiry date	Exercise price	December 31, 2019	December 31, 2020	December 31, 2021	March 31, 2022
10 years commencing from the date of	US$0.000076	2,000,395	820,659	485,544	282,210
grant of options	US$ 0.27	11,896,909	5,163,241	2,506,234	1,459,512
Total		13,897,304	5,983,900	2,991,778	1,741,722
Weighted average remaining contractual life of options outstanding at end of year/period:		5.87	5.01	3.97	3.73

(ii) 2017 Restricted Share Scheme and 2017 Option Plan

Followed the completion of the Merger, the Company has reserved certain ordinary shares to be issued to any qualified employees of Tencent Music Business transferred to the Group.

Pursuant to the RSUs agreements under the 2017 Restricted Share Scheme, subject to grantee's continued services to the Group through the applicable vesting date, some RSUs follow the first category of vesting schedule, one-fourth (1/4) of which shall vest eighteen months after grant date, and one-fourth (1/4) every year after. Some granted RSUs shall follow the second vesting schedule, half (1/2) shall vest six months after grant date, and the other half shall vest six months thereafter. Other granted RSUs shall follow the third vesting schedule, which were divided into range of half, one to third and one to fourth tranches on an equal basis as at their grant dates, and the tranches will become exercisable in each subsequent year.

Movements in the number of RSUs for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022 are as follows:

	Number of awarded shares				
	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
				(Unaudited)	
Outstanding as at January 1	13,724,100	26,659,516	41,011,362	41,011,362	43,728,098
Granted	19,567,514	24,156,236	19,136,384	1,416,950	10,969,130
Vested	(5,700,520)	(7,732,794)	(13,096,270)	(7,052,768)	(5,599,818)
Forfeited	(931,578)	(2,071,596)	(3,323,378)	(191,956)	(1,415,228)
Outstanding as at December 31/March 31	26,659,516	41,011,362	43,728,098	35,183,588	47,682,182
Expected to vest as at December 31/March 31	24,377,060	37,672,420	39,425,569	31,976,561	42,652,909

The fair value of the restricted shares was calculated based on the fair value of ordinary shares of the Company. The weighted average fair value of restricted shares granted during the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022 was US$7.07 per share (equivalent to approximately RMB44.82 per share), US$6.68 per share (equivalent to approximately RMB42.35 per share), US$5.82 per share (equivalent to approximately RMB36.87 per share), US$12.89 per share (equivalent to approximately RMB81.70 per share) and US$1.93 per share (equivalent to approximately RMB12.22 per share), respectively.

Share options granted are generally subject to a four batches vesting schedule as determined by the board of directors upon the grant. One-fourth (1/4) of which shall vest nine months or eighteen months after grant date, respectively, as provided in the grant agreement, and one-fourth (1/4) of which vest upon every year thereafter.

	Number of options	Weighted-average exercise price (US$)	Weighted-average grant date fair value (US$)
Outstanding as at January 1, 2019	36,086,303	2.75	2.24
Granted	1,993,780	7.05	3.00
Exercised	(9,696,202)	1.78	1.95
Forfeited	(1,743,373)	2.67	2.33
Outstanding as at December 31, 2019	26,640,508	3.43	2.39
Vested and expected to vest as at December 31, 2019	25,329,481	3.44	2.38
Exercisable as at December 31, 2019	6,065,968	2.45	2.04
Non vested as at December 31, 2019	20,574,540	3.71	2.50
Outstanding as at January 1, 2020	26,640,508	3.43	2.39
Granted	4,992,390	6.44	2.70
Exercised	(10,026,018)	2.64	1.92
Forfeited	(455,694)	6.27	3.01
Outstanding as at December 31, 2020	21,151,186	4.45	2.68
Vested and expected to vest as at December 31, 2020	20,097,190	4.44	2.68
Exercisable as at December 31, 2020	4,762,058	3.05	2.74
Non vested as at December 31, 2020	16,389,128	4.86	2.66
Outstanding as at January 1, 2021	21,151,186	4.45	2.68
Granted	8,543,982	5.54	2.81
Exercised	(4,360,740)	1.92	2.26
Forfeited	(541,488)	5.70	2.90
Outstanding as at December 31, 2021	24,792,940	5.24	2.79
Vested and expected to vest as at December 31, 2021	23,552,634	5.21	2.79
Exercisable as at December 31, 2021	9,580,612	4.00	2.64
Non vested as at December 31, 2021	15,212,328	6.03	2.88
Outstanding as at January 1, 2022	24,792,940	5.24	2.79
Granted	16,243,268	1.94	0.92
Exercised	(265,992)	0.27	3.11
Forfeited	(463,530)	5.63	2.70
Outstanding as at March 31, 2022	40,306,686	3.94	2.04

	Number of options	Weighted-average exercise price (US$)	Weighted-average grant date fair value (US$)
Vested and expected to vest as at March 31, 2022	38,102,815	3.95	2.05
Exercisable as at March 31, 2022	9,279,586	4.10	2.63
Non vested as at March 31, 2022	31,027,100	3.89	1.86
(Unaudited)			
Outstanding as at January 1, 2021	21,151,186	4.45	2.68
Granted	—	—	—
Exercised	(2,816,414)	1.82	2.12
Forfeited	(32,822)	0.27	3.11
Outstanding as at March 31, 2021	18,301,950	4.86	2.76
Vested and expected to vest as at March 31, 2021	17,653,453	4.82	2.76
Exercisable as at March 31, 2021	5,961,726	2.57	2.43
Non vested as at March 31, 2021	12,340,224	5.97	2.92

The weighted average price of the shares at the time these options were exercised was US$6.79 per share (equivalent to approximately RMB43.04), US$7.66 per share (equivalent to approximately RMB48.56), US$9.52 per share (equivalent to approximately RMB60.36), US$11.20 per share (equivalent to approximately RMB70.99) and US$2.91 per share (equivalent to approximately RMB18.46) during the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively.

The fair value of share options were valued using the Binomial option-pricing model.

Assumptions used in the Binomial option-pricing model are presented below:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Risk free interest rate	2.08%	0.71%-0.91%	1.22%-1.63%	—	2.15%
Expected dividend yield	0%	0%	0%	—	0%
Expected volatility	40%	40%-42.5%	43.5%-50%	—	55%
Exercise multiples	2.2-2.8	2.2-2.8	2.2-2.8	—	2.2-2.8
Contractual life	10 years	10 years	10 years	—	10 years

Share options outstanding at the end of the year/period have the following expiry date and exercise prices:

Expiry date	Exercise price	December 31, 2019	December 31, 2020	December 31, 2021	March 31, 2022
10 years commencing from the	US$0.27	4,513,508	2,748,802	1,271,442	1,005,450
date of grant of options	US$1.93	—	—	—	16,210,178
	US$2.32	13,441,720	6,712,512	4,270,392	4,270,392
	US$3.32	—	—	307,792	307,792
	US$4.04 ~ US$4.24	975,000	650,000	579,952	579,952
	US$5.29	—	—	6,327,742	5,999,782
	US$6.20 ~ US$6.37	—	4,285,570	4,241,962	4,161,982
	US$7.05 ~ US$7.61	7,710,280	6,585,222	7,624,578	7,602,078
	US$9.53	—	169,080	169,080	169,080
Total		26,640,508	21,151,186	24,792,940	40,306,686
Weighted average remaining contractual life of options outstanding at end of year/period:		**8.07**	**7.74**	**7.84**	**8.55**

(b) Share-based compensation plans of Tencent

Tencent operates a number of share-based compensation plans (including share option scheme and share award scheme) and granted certain share options and shares awards to the employees of the Group prior to the Merger in July 2016 or any employees of Tencent Group transferred to the Group. No new grant to the employees of the Group by Tencent occurred during the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022.

Share options granted are generally subject to a four-year or five-year vesting schedule as determined by the board of directors of Tencent. Under the four-year vesting schedule, share options in general vest one-fourth (1/4) upon the first anniversary of the grant date, and one-fourth (1/4) every year after. Under the five-year vesting schedule, depending on the nature and purpose of the grant, share options in general vest one-fifth (1/5) upon the first or second anniversary of the grant date, respectively, as provided in the grant agreement, and one-fifth (1/5) every year after.

RSUs are subject to a three-year or four-year vesting schedule, and each year after the grant date, one-third (1/3) or one-fourth (1/4) shall vest accordingly. No outstanding share options or RSUs will be exercisable or subject to vesting after the expiry of a maximum of seven years from the date of grant.

For the share options of Tencent relevant to the Group, the average exercise price was HK$223.4, HK$226.30, HK$209.78 and HK$209.78, and a weighted average grant date fair value was HK$68.5, HK$69.29, HK$64.83 and HK$64.83, as at December 31, 2019, 2020 and 2021, and March 31, 2022, respectively. The fair values of employee stock options were valued using the Binomial option-pricing model.

For the awarded shares, as at December 31, 2019, 2020 and 2021, and March 31, 2022, the fair value of the awarded shares was calculated based on the market price of the Tencent's shares at the respective grant date.

(c) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the options and awarded shares (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at December 31, 2019, 2020 and 2021 and March 31, 2022, the Expected Retention Rate of the Group was assessed to be 88%-95%, 88%-95%, 87%-95%, 87%-95%.

25 Notes payable

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Included in non-current liabilities				
Notes payable	—	5,175	5,062	5,041

In September 2020, the Company issued two tranches of senior unsecured notes with an aggregate principal amount of US$800 million as set out below.

	Principal amount	Carrying amount at December 31, 2019	December 31, 2020	December 31, 2021	March 31, 2022	Interest Rate (per annum)	Due
	US$'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*		
2025 Notes	300	—	1,945	1,903	1,895	1.375%	2025
2030 Notes	500	—	3,230	3,159	3,146	2.000%	2030
	800	—	5,175	5,062	5,041		

Notes payable issued by the Company were recognized initially at fair value and subsequently carried at amortized cost.

As at December 31, 2020 and 2021, the carrying amounts of notes payable approximated their fair values. The fair values of notes payable as at March 31, 2022 was US$691 million (equivalents to approximately RMB4,387 million). The fair values of notes payable are based on the quoted market prices at the end of reporting period. They are classified as level 1 fair values in the fair value hierarchy.

All the notes payable were included in non-current liabilities. Interest is payable semi-annually in arrears on and of each year, beginning in March 2021.

26 Other payables and other liabilities

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Included in non-current liabilities				
Government grants	2	2	2	—
Deferred income	66	66	30	22
	68	68	32	22
Included in current liabilities				
Dividend payable	12	12	12	12
Accrued expenses (Note i)	2,105	2,717	3,133	2,308
Advances from customers	83	68	85	98
Investment payables	611	74	28	21
Other tax liabilities	140	137	131	142
Present value of liability of puttable shares (Note ii)	539	539	—	—
Deferred income	23	34	34	33
Share repurchase payables	—	—	82	—
Other deposits	77	94	99	95
Payable for acquisition of land use right (Note iii)	—	—	—	526
Contingent consideration, measured at fair value (Note iv)	112	—	—	—
Others	80	206	228	265
	3,782	3,881	3,832	3,500

Notes:

(i) Accrued expenses mainly comprise payroll and welfare, advertising and marketing, short-term lease rental and other operating expenses.

(ii) Puttable ordinary shares

From January to March 2018, the Company allotted and issued 24,757,517 ordinary shares of the Company to certain investors for an aggregate consideration of US$123 million (equivalents to approximately RMB803 million). The consideration comprised cash proceeds of US$67 million (equivalents to approximately RMB437 million) and business cooperation arrangements, in form of content cooperation, valued at approximately US$56 million (equivalents to approximately RMB365 million).

These shares rank pari passu in all respects with the shares in issue except that there is lock up period of 3 years on these shares and the holders have the right to sell their shares to the Company during the lock up period at a pre-determined price ("Put Right"). This arrangement is accounted for as compound instrument under share-based compensation arrangement with a debt component, representing the holders' right to demand payment by exercising the Put Right, which is accounted for as cash-settled share-based compensation and the residual is an equity component accounted for as equity-settled shared-based compensation.

Upon the issuance, the present value of the estimated outflows of cash in relation to the Put Right of approximately US$67 million (equivalent to approximately RMB437 million) was recognized as a liability and subsequently measured at fair value. The residual balance of approximately US$56 million (equivalent to approximately RMB365 million) is accounted for as an equity-settled share-based compensation and recognized in equity. In January 2021, the Put Right expired and the relevant liability with a carrying amount of RMB535 million was derecognized and reclassified to equity accordingly (Note 22).

(iii) In March 2022, the Group acquired a land use right at a consideration of RMB1.05 billion with an amount of RMB526 million paid as at March 31, 2022 and remaining RMB526 million to be paid in 2022.

(iv) In October 2018, the Company acquired 100% equity interest of a music content production company at a cash consideration comprising of a fixed amount and a variable amount, settlement in certain tranches, to enhance its music content library. The variable amount is determined based on certain operating performance indicators of the acquiree and up to RMB400 million. As at December 31, 2019, contingent consideration of approximately RMB112 million in relation to the arrangement was recognized at fair value determined by management taking into account the estimation of the performance indicators.

27 Deferred revenue

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Non-current	67	78	86	105
Current	1,694	1,608	1,834	1,872
	1,761	1,686	1,920	1,977

Deferred revenue mainly represents contract liabilities in relation to the service fees prepaid by customers for time-based virtual gifts, membership subscriptions, content sublicensing and digital music albums or single songs, for which the related services had not been rendered as at December 31, 2019, 2020 and 2021 and March 31, 2022.

Revenue recognized for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022 related to carried forward contract liabilities amounted to RMB1,431 million, RMB1,694 million, RMB1,608 million, RMB1,193 million and RMB1,216 million, respectively.

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of one year or less.

28 Business Combinations

(a) Acquisition of a music content company in 2020

In December 2020, the Company acquired additional equity interest of an existing associate at an aggregate consideration of RMB241 million. The consideration comprised cash of

RMB140 million and a portion of equity interests of the Company's non-wholly owned subsidiaries to the extent of RMB101 million, measured at fair value. Upon completion of the acquisition, the associate became a non-wholly owned subsidiary.

As a result of the acquisition, the Group is expected to increase its presence in online music industry in China. Goodwill arising from the acquisition was attributable to an increase in coverage of the online music market of China. The goodwill recognized was not expected to be deductible for income tax purpose.

The following table summarizes the amount of identifiable assets acquired and liabilities assumed at the acquisition date.

	RMB'million
Aggregate Consideration	241
Fair value of existing interest as an associate of the Group	40
Fair value of non-controlling interest	266
	547
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	40
Accounts and other receivables	90
Intangible assets	146
Prepayments, deposits and other assets	104
Deferred revenue	(46)
Other payables and accruals	(73)
Accounts payable	(21)
Deferred tax liabilities	(35)
Goodwill	342
	547

The revenue and the results contributed by the acquiree to the Group subsequent to the acquisition were insignificant. The Group's revenue and results for the year would not be materially different should the acquisition had occurred on January 1, 2020.

Transaction costs were not significant and were charged to general and administrative expenses in the consolidated income statement during the year ended December 31, 2020.

(b) Acquisition of a long-form audio company in 2021

In March 2021, the Company acquired 100% of the equity interest of a long-form audio company. The total consideration of the acquisition comprised: (i) an aggregate amount of RMB2,231 million to be settled unconditionally in cash, and (ii) cash of RMB252 million and the Company's RSUs of RMB216 million to be settled in several tranches in subsequent years, subject to fulfillment of certain conditions related to certain employee's continuing employment post acquisition ("Contingent Consideration").The Contingent Consideration is accounted for as post-acquisition employment compensation expenses.

The acquisition is expected to help accelerate the growth of the Group's long-form audio business. Goodwill arising from the acquisition was attributable to an increased share of the long-form audio market of China. The goodwill recognized was not deductible for income tax purpose.

The following table summarizes the amount of identifiable assets acquired and liabilities assumed at the acquisition date.

	RMB'million
Purchase consideration	2,231
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	196
Short-term investment	100
Accounts receivable	30
Intangible assets	496
Prepayments, deposits and other assets	7
Deferred revenue	(53)
Other payables and accruals	(30)
Accounts payable	(22)
Deferred tax liabilities	(73)
Goodwill	1,580
	2,231

The revenue and the results contributed by the acquiree to the Group subsequent to the acquisition were insignificant. The Group's revenue and results for the year would not be materially different should the acquisition had occurred on January 1, 2021.

Transaction costs were not significant and were charged to general and administrative expenses in the consolidated income statement during the year ended December 31, 2021.

(c) Other business combinations

During the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, the Group acquired equity interests of companies with total considerations of RMB65 million, RMB10 million, RMB32 million, nil and RMB13 million, respectively. The revenue and the results contributed by the acquired subsidiary subsequent to the acquisition was insignificant to the Group. The Group's revenue and results for the year would not be materially different should the acquisition had occurred on January 1, 2019, 2020, 2021 and 2022.

29 Cash flow information

(a) Cash generated from operations

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* (Unaudited)	*RMB'million*
Profit before income tax	4,540	4,632	3,632	1,106	739
Adjustments for:					
Depreciation and amortization	583	824	1,001	220	297
Impairment provision for investments in associates (Note 17)	43	4	—	—	—
Loss allowance for expected credit losses (Note 20)	18	8	9	3	4
Non-cash employee benefits expense – share based payments (Note 8)	519	569	647	151	158
Fair value losses/(gains) on investments (Note 7)	37	—	(105)	(1)	(9)
Net (gains)/losses in relation to equity investments	(1)	(32)	10	10	—
Dividend income (Note 7)	—	—	(27)	—	(3)
Gain on step-up acquisition arising from business combination (Note 7)	—	(19)	(8)	—	(2)
Share of loss/(profit) of associates and joint ventures (Note 17)	18	(19)	47	27	(20)
Interest income (Note 6)	(615)	(622)	(530)	(154)	(150)
Fair value change on puttable shares	37	37	—	—	—
Interest expense	31	62	120	31	29
Net exchange differences	(4)	(2)	1	—	1
Changes in working capital					
(Increase)/decrease in accounts receivable	(733)	(520)	(769)	10	1,093
Decrease/(increase) in inventories	9	8	(6)	—	1
(Increase)/decrease in other operating assets	(175)	(887)	408	207	105
Increase in accounts payable	717	644	631	320	854
Increase/(decrease) in other operating liabilities	1,164	258	309	(92)	(647)
Cash generated from operations	6,188	4,945	5,370	1,838	2,450

(b) Non-cash investing and financing activities

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* (Unaudited)	*RMB'million*
Equity interests in certain subsidiaries as consideration for business combination	—	101	—	—	—

(c) Reconciliation of changes in liabilities from financing activities

The reconciliation of changes in liabilities from financing activities are mainly related to lease liabilities and notes payable which have been disclosed in the consolidated statements of cash flows, Note 14 and Note 25, respectively.

30 Financial instruments by category

The Group holds the following financial instruments:

	Financial assets at amortized cost	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Financial assets				
As at December 31, 2019				
Accounts receivable (Note 20)	2,198	—	—	2,198
Other receivables (Note 19)	213	—	—	213
Term deposits (Note 21(a))	7,500	—	—	7,500
Short-term investments (Note 18(c))	—	6	—	6
Cash and cash equivalents (Note 21(b))	15,426	—	—	15,426
Other investments (Note 18(b))	—	255	—	255
Financial assets at fair value through other comprehensive income (Note 18(a))	—	—	4,461	4,461
	25,337	261	4,461	30,059
As at December 31, 2020				
Accounts receivable (Note 20)	2,800	—	—	2,800
Other receivables (Note 19)	411	—	—	411
Term deposits (Note 21(a))	17,811	—	—	17,811
Cash and cash equivalents (Note 21(b))	11,128	—	—	11,128
Other investments (Note 18(b))	—	386	—	386
Financial assets at fair value through other comprehensive income (Note 18(a))	—	—	9,771	9,771
	32,150	386	9,771	42,307
As at December 31, 2021				
Accounts receivable (Note 20)	3,610	—	—	3,610
Other receivables (Note 19)	270	—	—	270
Term deposits (Note 21(a))	17,072	—	—	17,072
Short-term investments (Note 18(c))	—	1,029	—	1,029
Cash and cash equivalents (Note 21(b))	6,591	—	—	6,591
Other investments (Note 18(b))	—	236	—	236
Financial assets at fair value through other comprehensive income (Note 18(a))	—	—	7,302	7,302
	27,543	1,265	7,302	36,110

	Financial assets at amortized cost	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
As at March 31, 2022				
Accounts receivable (Note 20)	2,513	—	—	2,513
Other receivables (Note 19)	298	—	—	298
Term deposits (Note 21(a))	16,489	—	—	16,489
Short-term investments (Note 18(c))	—	1,088	—	1,088
Cash and cash equivalents (Note 21(b))	8,353	—	—	8,353
Other investments (Note 18(b))	—	385	—	385
Financial assets at fair value through other comprehensive income (Note 18(a))	—	—	4,904	4,904
	27,653	1,473	4,904	34,030

	Liabilities at amortized cost RMB'million
Financial Liabilities	
As at December 31, 2019	
Notes payable (Note 25)	—
Accounts payable	2,559
Other payables and other liabilities (note)	2,261
Lease liabilities	147
	4,967
As at December 31, 2020	
Notes payable (Note 25)	5,175
Accounts payable	3,701
Other payables and other liabilities (note)	2,136
Lease liabilities	321
	11,333
As at December 31, 2021	
Notes payable (Note 25)	5,062
Accounts payable	4,422
Other payables and other liabilities (note)	1,922
Lease liabilities	297
	11,703
As at March 31, 2022	
Notes payable (Note 25)	5,041
Accounts payable	5,272
Other payables and other liabilities (note)	2,114
Lease liabilities	285
	12,712

Note: Other payables and other liabilities exclude prepayment received from customers and others, staff costs, welfare accruals, other tax liabilities, government grant and deferred income.

31 Commitments

(a) Commitments

The following table summarizes future minimum commitments of the Group under non-cancelable arrangements, which are mainly related to purchase of bandwidth and other services:

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Within one year	233	462	348	222
Later than one year but not later than five years	2	23	24	17
	235	485	372	239

(b) Content royalty

The Group is subject to the following minimum royalty payments associated with certain of its license agreements:

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Within one year	4,513	3,356	2,511	1,735
Later than one year but not later than five years	2,704	1,271	1,189	1,139
	7,217	4,627	3,700	2,874

(c) Investment commitments

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the Group had commitments of approximately RMB198 million, RMB1,700 million, RMB513 million and RMB600 million to invest in equity interest of certain entities.

32 Related party transactions

The table below sets forth the major related parties and their relationships with the Group during the Track Record Period:

Name of related parties	Relationship with the Group
Tencent and its subsidiaries other than the entities controlled by the Group ("Tencent Group")	The Company's principal owner
China Literature Limited ("China Literature")	Tencent's subsidiary

(a) Transactions

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, significant related party transactions were as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* (Unaudited)	*RMB'million*
Revenue					
Online music services to Tencent Group (Note (i))	355	277	364	91	76
Online music services to the Company's associates and associates of Tencent Group	40	206	412	138	30
Social entertainment services and others to Tencent Group, the Company's associates and associates of Tencent Group	21	213	170	69	24
Expenses					
Operation expenses recharged by Tencent Group	752	1,082	1,260	326	351
Advertising agency cost to Tencent Group	231	440	652	188	81
Content royalties to Tencent Group, the Company's associates and associates of Tencent Group (Note (ii))	132	306	541	103	139
Other costs to the Company's associates and associates of Tencent Group	25	48	176	16	21

Notes:

(i) Including revenue from content sublicensing, online advertising and subscriptions provided to Tencent Group pursuant to the Business Cooperation Agreement.

(ii) In March 2020 the Group signed a five-year strategic partnership with China Literature, a subsidiary of Tencent. Through this partnership arrangement, the Group was granted a global license to produce derivative content in the form of audiobooks of online literary works for which China Literature has the rights to or the license to adapt, and the rights to sublicense; as well as to allow the Group to distribute existing audiobooks in China Literature's portfolio.

The aggregate total minimum guarantee profit sharing payable to China Literature for the five-year period was in the amount of RMB250 million, any excess portion will be shared based on a pre-determined percentage. The present value of the minimum guarantee of RMB227 million was recognized as intangible assets in March 2020. Amortization expense for the years ended December 31, 2020 and 2021 and the three months ended March 31, 2021 and 2022 was included in the content royalties to Tencent Group presented above.

These related party transactions were conducted at prices and terms as agreed by the respective parties involved.

(b) Balances with related parties

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Included in accounts receivable from related parties:				
Tencent Group (Note)	1,653	1,993	2,510	1,416
The Company's associates and associates of Tencent Group	49	48	90	100
Included in prepayments, deposits and other assets from related parties:				
Tencent Group	50	39	51	52
The Company's associates and associates of Tencent Group	23	64	142	219
Included in accounts payable to related parties:				
Tencent Group	215	763	719	1,548
The Company's associates and associates of Tencent Group	15	37	198	113
Included in other payables and accruals to related parties:				
Tencent Group	382	237	440	442
The Company's associates and associates of Tencent Group	19	46	55	63

Note: The balance is mainly arising from user payments collected through various payment channels of Tencent Group pursuant to the Business Cooperation Agreement signed upon the Merger.

Outstanding balances were unsecured and were repayable on demand. As at December 31, 2019, 2020 and 2021 and March 31, 2022, balances included in prepayments, deposits and other assets from related parties of nil, nil, RMB10 million and RMB41 million, and balances included in other payables and accruals to related parties of RMB11 million, RMB31 million, nil and RMB1 million, respectively, were non-trade in nature and the remaining balances were trade in nature.

(c) Key management personnel compensation

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million* (Unaudited)	*RMB'million*
Short-term employee benefits	65	62	70	17	17
Share-based compensation	233	205	153	36	33
	298	267	223	53	50

33 Contingent liabilities

The Group is involved in a number of claims pending with various courts, or otherwise unresolved as at December 31, 2019, 2020 and 2021 and March 31, 2022. These claims are mainly related to alleged copyright infringement with an aggregate amount of damages sought of approximately RMB21 million, RMB47 million, RMB57 million and RMB73 million respectively. Adverse results in these claims may include awards of damages and may also result in, or even compel a change in the Company's business practices, which could impact the Company's future financial results.

In addition, in September 2019 and October 2019, respectively, the Company, certain of its current and former directors and officers, and Tencent bearing the status as the Company's controlling shareholder, were named as defendants in two putative securities class actions filed in the U.S. District Court for the Eastern District of New York and the Supreme Court of the State of New York, County of New York. Both actions, purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in the ADSs, allege that the Company's public filings contained material misstatements and omissions in violation of the U.S. federal securities laws. Complaints related to these claims were filed and the Company served motions to dismiss the complaints. These actions remain in their preliminary stages. With the legal advice, the Company believes these cases are without merit and intends to defend actions vigorously.

The Company is unable to estimate the reasonably possible loss or a range of reasonably possible losses for proceedings in the early stages or where there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. Although the results of unsettled litigations and claims cannot be predicted with certainty, the Company does not believe that, as at December 31, 2019, 2020 and 2021 and March 31, 2022, there was at least a reasonable possibility that the Company may have incurred a material loss, or a material loss in excess of the accrued expenses, with respect to such loss contingencies. The Group had made certain accruals in "Accounts payable" in the consolidated balance sheet as at December 31, 2019, 2020 and 2021 and March 31, 2022 and recognized related costs as expenses for the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2022. The losses accrued include judgments handed down by the court and out-of-court settlements after December 31, 2019, 2020 and 2021 and March 31, 2022, but related to cases arising on or before December 31, 2019, 2020 and 2021 and March 31, 2021 and 2022. The Company is in the process of appealing in certain cases. However, the ultimate timing and outcome of pending litigation is inherently uncertain. Therefore, although management considers the likelihood of a material loss for all pending claims, both asserted and unasserted, to be remote, if one or more of these legal matters were resolved against the Company in the same reporting period for amounts in excess of management's expectations, the Company's consolidated financial statements of a particular reporting period could be materially adversely affected.

34 Dividends

No dividend has been paid or declared by the Company for the Track Record Period.

No dividend or distribution has been declared or paid by the Company in respect of any period subsequent to March 31, 2022.

35 Events occurring after the reporting period

In March 2022, the Group entered into a definitive agreement with M&E Mobile Limited, an associate of the Group which operates karaoke platform "Pokekara" in Japan, to acquire additional 25% of its equity interest with the consideration of approximately US$39 million. The acquisition was completed in April 2022, and M&E Mobile Limited became a non-wholly owned subsidiary of the Group. Other than the acquisition of M&E Mobile Limited, the Group also had various immaterial acquisitions subsequent to the Track Record Period with aggregate considerations which are not material to the Group.

On September 9, 2022, the Company issued 42,000,000 Class A ordinary shares to a subsidiary of the Company. These newly issued Class A ordinary shares will be provided to certain designated securities dealers under a stock borrowing and lending agreement entered by the Company and these designated securities dealers on September 15, 2022. These newly issued Class A ordinary shares held by the Company's subsidiary will be consolidated by the Group and will not be regarded as outstanding shares of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to March 31, 2022 and up to date of this report.