

**[TME] - Tencent Music Entertainment Group
Q4 and Full Year 2021 Earnings Conference Call
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Officers

Tony Yip, Chief Strategy Officer
Cussion Pang, Executive Chairman
Ross Liang, Chief Executive Officer
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Presentation

Operator: Ladies and gentlemen, good evening and good morning, and thank you for standing by. Welcome to the Tencent Music Entertainment Group's Fourth Quarter and Full Year 2021 Earnings Conference Call.

Today, you will hear discussions from the management team of Tencent Music Entertainment Group, followed by a question-and-answer session. Please be advised that this conference is being recorded today.

Now I will turn the conference over to your speaker host today, Chief Strategy Officer, Mr. Tony Yip. Please go ahead, sir.

Tony Yip: Thank you, operator. Hello, everyone, and thank you all for joining us on the call today. TME announced financial results today after the market close. An earnings release is now available on our IR website at ir.tencentmusic.com, as well as via newswire services.

Today, you'll hear from Mr. Cussion Pang, our Executive Chairman, who will start the call with an overview of our recent updates. Next, Mr. Ross Liang, our CEO, and I, Tony Yip, as CSO, will offer additional thoughts on our product strategies, operations and business developments. Finally, Ms. Shirley Hu, our CFO, will address our financial results before we open the call for questions.

Please note that this call may contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These

forward-looking statements are based on management's current expectations and observations that involve known and unknown risks, uncertainties and other factors not under the Company's control, which may cause actual results, performance or achievements of the Company to be materially different from the results, performance or expectations implied by these forward-looking statements.

All forward-looking statements are expressly qualified in their entirety by the cautionary statements, risk factors and details of the Company's filings with the SEC. The Company does not assume any obligation to revise or update any forward-looking statements as a result of new information, future events, changes in market conditions or otherwise, except as required by law.

Please note that the Company will discuss non-IFRS measures today, which are more thoroughly explained and reconciled to the most comparable measures reported under the IFRS in the Company's earnings release and filings with the SEC. You are reminded that such non-IFRS measures should not be viewed in isolation, or as an alternative to the equivalent IFRS measure, or other non-IFRS measures are not uniformly defined by all companies, including those in the same industry.

With that, I'm pleased to turn over the call to Cussion, Executive Chairman of TME. Cussion?

Cussion Pang: Thank you, Tony. Hello, everyone, and thank you for joining our call today. We concluded 2021 with resolute execution of our mutually-reinforcing, dual engine content-and-platform strategy. As we strengthened our pan-entertainment content ecosystem and enhanced our content production and promotion capabilities throughout the year, we further diversified our business model, grew our market influence, and most importantly, kept on attracting and engaging users and holistically addressing the needs of our music “stakeholders”.

We are also committed to continuous product innovation, through which we optimize users’ experience across our 4 pillars of music entertainment: “listen, watch, sing and play”. Ultimately, these initiatives help both our company and the music industry to achieve healthy development and prosperity.

Empowered by our content strategy encompassing original content production, licensing, operation, promotion, and monetization, we are expanding our efforts in augmenting the scale and fortifying the quality and competitiveness of our music catalog.

To cultivate high-quality artists and songs and promote a flourishing original content ecosystem, we have been focusing on building a more efficient and effective set of original content production capabilities. We have led the industry in original content production and promotion by developing and implementing a host of advanced tools and technologies. Examples include our 5SING platform, which provides an online community for lyricists, songwriters and musicians to pair, communicate and trade.

During the demo stage, our proprietary predictive model enables forecasting and data mining for songs with blockbuster potential by determining intricate user preferences and

analyzing melody, lyrics, voice and rhythms, which in turn makes original song production more cost effective.

Furthermore, we have developed a number of content promotion tools which integrate our internal and external promotion resources, providing a one-stop service to musicians. These advanced tools and technologies allow us to effectively identify and increase support for potential hits. Notable standouts include Lonely City (Speaking foreign language),” which shot to the number one spot in the charts within the Chinese Ancient Style category upon release, triggering a tremendous wave of buzz on social media with nearly 1 billion streams in the fourth quarter, as well as multiple songs boasting over 100 million streams in the same quarter, such as Painting String (Speaking foreign language), Perfect Couple (Speaking foreign language), Pretend I Had Been Married to Her (Speaking foreign language) and I Am Not Andy Lau (Speaking foreign language).

Deepening interaction with IPs in the broader Tencent ecosystem has also increased the influence of our original music. In 2021, TME joined hands with 46 IPs in the Tencent pan-entertainment ecosystem across gaming, animation, literature, variety shows, film and television and more, to produce and release 117 original songs. In the fourth quarter, we teamed up with League of Legends: Wild Rift (Speaking foreign language) to launch the industry’s first e-sports music production boot camp, ushering in the beginning of our long-term original content production cooperation with TJ Sports (Speaking foreign language).

Broader crossover collaborations also produced hits such as the theme song from the acclaimed romance film B for Busy (Speaking foreign language) sung by Mao Buyi, which topped various charts; and the theme song for the game Tales of Grimm (Speaking foreign language) sung by Angela Zhang (Speaking foreign language).

We also empower indie musicians by creating a spiritual home for them via our Tencent Musician Platform. As of the end of the fourth quarter, the number of indie musicians on our Tencent Musician Platform reached 300,000. With the ongoing improvement of our end-to-end services from song production and domestic and overseas promotion, all the way to artist and repertoire development, incentive plans, performance resources, copyright protection and career training, our Tencent Musician Platform has become the platform of choice for many indie musicians, especially young ones, further promoting the vitality and diversity of our musician ecosystem.

First, Tencent Musician Platform leverages powerful internal and external resources to provide musicians with a rich variety of artistic inspiration and creation scenarios. For example, in the fourth quarter, we cooperated with the Mercedes-Benz Music Creation Initiative, She’s Mercedes, to encourage the use of music to record her stories. 340 groups of participating musicians composed 1,290 original songs through the Tencent Musician Platform, highlighting female creativity in music.

Second, with multi-dimensional promotion capabilities both on and offline, Tencent Musician Platform has become a hotbed for hit songs. With the enthusiastically-shared release of QQ Music’s 2021 year-end music review, Fu Yi’s song Time Never Forgets

(Speaking foreign language), for which we managed the entire production, release and promotion process, achieved over 20 million first-day streams, setting a streaming debut record within the indie musician category.

We also recommended Flowers All the Way (Speaking foreign language) by Wen Yixin to multiple offline New Year's Eve performances hosted by influential TV channels, where it earned widespread accolades among listeners with its authentic story and inspirational theme, and topped major music charts in the fourth quarter. Notably, daily streams exceeded 15 million directly following these performances.

Going forward, our Tencent Musician Platform will carry on harnessing these advantages and ecosystem resources to foster a richer repertoire of original music and support more indie musicians.

Alongside our music production initiatives, we have been enriching our content library to safeguard our comprehensive content offerings. Kugou has made Chinese Ancient Style a breeding ground for massive hits through its IP, Neo Ancient Vibe (Speaking foreign language), by organizing singing competitions and music galas, launching music charts, and other on and offline activities in the fourth quarter. Hip-hop has become another value booster for our platform, and we are proud to have built a reputation among users and in the industry as the go-to destination to discover hip-hop music.

Our QQ Music's Rappers Alliance brand is steeped in deep collaborations with hip-hop celebrities and record labels, which we augment with music contests, national live tours and other events. In 2021, we helped Chinese Ancient style and hip-hop artists and songs to reach a broadened fan base, with more than 4,000 songs in these 2 genres combined making their way onto various music charts.

Turning to our live event offerings, in 2021, we upgraded TME Live to become an increasingly comprehensive performance platform, reinforcing our overall online-and-offline content ecosystem.

Throughout 2021, TME Live further strengthened its brand and escalated its industry influence by hosting a total of 56 live performances with captivating interactive and virtual experiences. In the fourth quarter, we organized online shows featuring a rich lineup of domestic and global megastars such as Joey Yung (Speaking foreign language) and Adele. Among these, Chen Linong's GrowN 21 Birthday Concert was particularly innovative and rewarding, given its embedded online payment and artist merchandise options.

TME Live has also extended downstream to support the diverse development of our musicians. Through endeavors such as the Force Stage, which has attracted approximately 10,000 indie musician applicants and has been widely followed on social media, we helped our artists gain significant growth in streaming volume and fan base. By the end of the fourth quarter, 25 of our musicians had performed over 120 original works on TME Live's various offline stages.

In the future, we expect to extend more offline events and festivals to up-and-coming musicians, expanding their influence and efficiently promoting talent through high-frequency performances.

As the leading music and audio entertainment platform in China, we have created trendsetting award ceremonies such as Tencent Music Entertainment Awards (TMEA), to present and reward the industry's best and brightest artists and their era-defining works. On December 11, 2021, we hosted the third star-studded TMEA in Macau, featuring 46 groups of artists including Jay Chou (Speaking foreign language), Mayday (Speaking foreign language), Rene Liu (Speaking foreign language), KUN (Speaking foreign language), Teens in Times (Speaking foreign language) and Joker Xue (Speaking foreign language), as well as a successive play of 58 hits. By combining our promotion powers with other Tencent resources, we set an audience record with over 10 million views, far more than the previous 2 TMEAs.

With that, I conclude the update on our progress with content. Now I would like to turn the call over to Ross, who will share more about our platform strategy. Ross, please go ahead.

Ross Liang: Thank you, Cussion. Hello, everyone. Moving on to our platform strategy, in the fourth quarter, QQ Music, Kugou Music and Kuwo Music all released major version upgrades, incorporating for refreshed product concepts, as well as optimized operations, UI design and technological innovations. We leverage the companionship that music embodies to invite users to listen, watch, sing and play, engaging them deeply in these 4 pillars of music entertainment.

To bolster our listen pillar, we strive to provide a masterful audio experience with innovative listening features and optimized the sound quality and the effects. The latest version of Weixin allows users to send songs from the TME music library directly to friends on Weixin. Our Leap of Heart (Speaking foreign language) function, which has been adopted by more than 5 million users, enables one user to listen to songs another user is listening to with simple, one-click following.

Furthermore, our interactive playlists can be jointly built and edited by multiple users. These cutting-edge functions allow users to break through the barriers of time and place, while dynamically integrating listening with social interaction.

Technology is a crucial component that differentiates the listening experience we offer. We continued to optimize the smart recommendation feature on QQ Music to help users to discover high-quality music more efficiently, as evidenced by 66% more music streams attributable to the feature in the fourth quarter compared with the same period last year.

Additionally, our patented audio processing technology delivers a cool multi-track function, through which users can separate songs into adjustable tracks to create individualized listening experiences. We have also refined our vertical operations through Kugou Music's scenario-based music, which targets users' wellness needs such as fitness

and sleep hygiene. Our sleep-inducing Delta brainwave music has been streamed over 26 million times since its launch. Watch, our second pillar, adds another dimension to the user experience, making content more visually memorable.

We satisfy the natural extension of our music users' visual needs with video content, effectively improving the efficiency and accuracy of music discovery while increasing users' engagement levels. In the fourth quarter, QQ Music's video content sustained its year-over-year growth of more than 100% in both unique visitors and video views.

Furthermore, our musicians continuously benefit from our cooperation with Weixin Video Accounts in music promotion. We jointly launched the Resonance Initiative (Speaking foreign language) as a task-based model to incentivize indie musicians to produce original songs and video content in October and initiated a reward-based editing challenge for the hit song Love Love in December. Through our collaboration with Weixin Video Accounts, daily video views of our musicians' works uploaded to Weixin Video Accounts reached 50 million by the end of 2021.

Next, for the sing pillar, we introduced in-room memberships and added new video content and casual games such as Karaoke Farm (Speaking foreign language) and Karaoke Town (Speaking foreign language) to the latest version of WeSing's online karaoke room to make the overall karaoke room experience more fun and socially engaging, leading to a growth in karaoke room audience time spent in the fourth quarter.

We also introduced an online service model featuring on-demand vocal accompaniment, which effectively mobilizes karaoke KOLs on the platform and rewards their singing talent. Finally, we launched our Elder Care mode (Speaking foreign language), designed to address seniors' unique needs with bigger fonts, cleaner UI design and more relevant content.

The fourth and final pillar of our comprehensive entertainment offerings is play, which we expect will unlock an entirely new class of virtual interactions on TME's platform. In the fourth quarter, we launched China's first virtual music playground, TMELAND, and hosted its first online music festival on New Year's Eve in a 130,000-square kilometer virtual setting. Participants flocked to the event to party virtually with their friends and world-renowned DJs such as Vicetone, Luminn and DEXTER KING in the form of brand-new 3D avatars.

We also recently released QQ Music's M-PETS and Kugou Music's Music Elf to provide companionship to our music users. Millions of users have already adopted these virtual pets, demonstrating their strong popularity, particularly among the young demographic.

Leveraging our ongoing interconnections with Tencent's ecosystem and resulting broadened promotion capabilities, we attracted a wide group of users and encouraged them to enjoy our music and video content through efforts including, but not limited to, first, we partnered with Weixin Video Accounts to live-stream Mayday's New Year's Eve concert by TME Live, which captivated a total of 14 million viewers in the Tencent ecosystem.

Second, we cooperated with Tencent Games on the debut of Eason Chan's Lonely Warrior (Speaking foreign language), the Chinese theme song for the animation Arcane: League of Legends (Speaking foreign language). It was streamed more than 400 million times in the fourth quarter, reaching number one on multiple music charts.

Third, during the release of Tencent Video's hit drama Sword, Snow, Stride (Speaking foreign language), TME's long-form audio offerings of the same title were played 1.4 million times daily, with a quarterly growth rate over 500% during the first month of the show's season. In 2022, TME will keep on strengthening its collaboration with Tencent's IP ecosystem and utilizing this methodology in promoting more hits. As we continue to bring our users and creators differentiated content and tools, long-form audio has proven itself to be an effective complement to our powerful portfolio of music apps.

In the same way as we cultivate original music content, we are building a closed-loop system for podcasters with initiatives spanning content production, promotion, and monetization. Among our podcasters, there are 8 that have achieved the milestone of 100 million cumulative streams, demonstrating the power of our podcast ecosystem, including podcaster Ms. Deer (Speaking foreign language)'s Bedtime Story Box (Speaking foreign language), a chart-topping children's book noted for its entertainment and educational value.

On the content production front, we co-created Xiaoguo, the first-ever audio variety talk show, Don't Stop (Speaking foreign language) exploring the boundaries of audio talk shows to further expand our reach in the audio market.

As we continued to cultivate a vibrant podcast ecosystem and expand production to enrich our differentiated long-form audio content offering, in the fourth quarter, long-form audio MAUs exceeded 150 million, representing 65% year-over-year growth, and its DAU increased by 86% year-over-year.

Last but not least, we are committed to fulfilling our social responsibilities. In the fourth quarter, we implemented multiple charity initiatives, including the release of Hearing the Inaudible Music, a charity album recorded with low-frequency sound for people with mid-and-high-frequency hearing impairment, as well as our 2021 Little Red Flower Music Season campaign, in which more than 500 musicians participated to compose 2,300 songs for charity.

Working hand-in-hand, our platform and dynamic content's strategic progression creates a substantial force, immersing our users in a comprehensive music pan-entertainment experience.

That covers our platform's progress and latest innovations. With that overview, I'd like to pass the call to Tony to review our business operations. Tony, please go ahead.

Tony Yip: Thank you, Ross. Hello, everyone. In terms of operating results, in the fourth quarter, our online music MAUs were 615 million, representing a 1% year-over-year decline primarily due to churn of our casual users served by other pan-entertainment platforms.

In the fourth quarter, our IoT services achieved year-over-year MAU growth of 39%. The growth was primarily attributable to our diverse content and our broad variety of smart IoT devices, which continue to enhance our ability to roll out and promote new music content.

Despite the impact on advertising and digital albums sales from industry headwinds, our online music revenues maintained sustained growth in the fourth quarter, mainly driven by continuous growth in subscriptions. With a net add of 5 million during the fourth quarter, paying user penetration reached 12.4%. At the same time, user retention remained largely stable.

Advertising revenue growth moderated and was negatively impacted in the fourth quarter due to industry adjustment. Meanwhile, we continued to devise creative ad solutions to serve brands' diverse needs, such as the branded playlists launched in the fourth quarter.

We will continue to innovate our product portfolio and diversify monetization models to better serve users and artists. Along this line, we launched the Artist Subscription (Speaking foreign language), an add-on subscription giving users access to customized video and audio content, and other privileges from specific artists while helping artists grow a dedicated, hardcore fan base.

Moreover, in the fourth quarter we introduced Putao Mall (Speaking foreign language) to retail items from a growing lineup of collaborative artists. Sought-after items in the fourth quarter included Jay Chou (Speaking foreign language) limited edition action figure, Music King Chou, as well as Roy Wang (Speaking foreign language)'s physical album Summer Time (Speaking foreign language), which sold 260,000 physical copies, setting a new industry record and fulfilling fans' increasing desire to collect physical albums.

Throughout 2021, we increased our efforts to build communities at the forefront of trendy culture and strengthened our brand image with a youth-oriented portfolio of products and college campus initiatives.

Our pioneering app Bodian Music (Speaking foreign language) is particularly popular among the younger generation. We upgraded Bodian to version 2.0 in December 2021, which features a fresh and sleek UI design and allows listeners to swipe through video-based music content with a smart recommendation function. To meet Gen-Z's demands, we also developed a number of on-campus initiatives such as Voila Campus (Speaking foreign language), a record label for campus musicians, and our on-campus campaign 2021 Campus Voice (Speaking foreign language), with which we discovered promising campus musicians such as Joysaaaa and J.C.T.X (Speaking foreign language), together with their chart-busting original songs.

Now let's turn to our social entertainment services. MAUs and paying users were lower quarter-over-quarter amid increasing competition and changing macro environment. While rolling with the ups and downs inherent in this environment, we are working on continued product innovations and building more verticals in social entertainment.

For WeSing, which has singing at its core, we are establishing a content generation ecosystem that makes user participation easier and more fun. We now provide users with a virtual stage background and avatar for video recording, as well as the option to create a personalized short video by simply recording their voices with a semi-finished video supplied by WeSing.

We also improved chorus functionality to allow even the shyest user to join a chorus while retaining their anonymity by not displaying their face. This simplified creation process has led to an improved video publishing rate and increased user enjoyment in the fourth quarter.

In terms of our international expansion efforts, we entered into a definitive agreement in March 2022 to acquire a controlling stake in M&E Mobile Limited, which currently operates Japan's leading karaoke app, Pokekara, to enrich our karaoke experiences as well as broaden our reach in international markets.

For our live-streaming services, in response to increasing competition, we plan to heighten our focus on differentiating content offerings by expanding our audio live-streaming content, cultivating talented music broadcasters, hosting cross-platform events and enriching our virtual interactive product offerings.

We are utilizing our live-streaming platforms to provide our musicians with a starting point for their careers, while presenting us with options for talent discovery and cultivation. QQ Music Live Streaming is giving more and more musicians a voice and a stage through audio live streaming, evidenced by the consistent quarter-over-quarter growth in the numbers of streamers and users. In 2021, a total of 12,000 musicians live streamed on the QQ Music Live Streaming platform.

Meanwhile, Kugou Live is building a professional training ground for talented live-streaming hosts with high potential by mapping out customized career solutions for them. In the fourth quarter, musicians discovered by Kugou Live released 64 new songs with over 1 billion total playbacks combined, including Wen Yixin's Flowers All the Way (Speaking foreign language), and Fan Ru's Time, Please Slow Down (Speaking foreign language).

The power of our platform and ecosystem was also showcased in our Tencent Music Live Ceremony, TMLC, the industry's first integrated, cross-platform, live-streaming competition event. It brought a double-digit increase in traffic to our live-streaming platforms, generating a new record of 630 million social media views.

While traditional live streaming is facing challenges, we believe the metaverse reimagines a new era of interactive entertainment. In addition to the virtual playground TMELAND and virtual pets we just mentioned, virtual idols are another area where reality is increasingly merged with fantasy. Shanbao, our self-created Chinese Ancient Style virtual idol, was successfully adopted in a wide range of cross-field use cases in the fourth quarter, including collaborations with popular games, emoji and soundmoji

packages, conference hosting, offline performances and more, showcasing the viability of virtual IP monetization.

In summary, our effective, growing dual-engine content-and-platform strategy puts us in the driver's seat for the music industry's sustained prosperity, as we continue to engage and stimulate users while satisfying our stakeholders' multifaceted needs.

With that, I would like to turn the call over to Shirley, our CFO, for a closer review of our financials.

Shirley Hu: Thank you, Tony. Hello, everyone. Next, I'll discuss our results from financial perspective. In the fourth quarter of 2021, our online music service revenues continued to grow, driven by rapid growth in music subscriptions. Social entertainment businesses were negatively impacted by competitions and changing macro environment.

Our total revenues for Q4 2021 were RMB7.6 billion, down by 9% year-over-year. Our online music revenues were RMB2.9 billion this quarter, up 4% year-over-year.

In the fourth quarter of 2021, music subscription business continued to grow rapidly with revenues of RMB1.95 billion and year-over-year growth of 24%, as we benefitted from expanded sales channels and paying user loyalty due to high-quality content and services we provide.

Online music paying users grew to 76.2 million, up 36% year-over-year, representing a 5 million net adds sequentially.

Monthly ARPPU was RMB 8.5 this quarter, compared to RMB 9.4 in the same period last year, as we offered more effective promotions to attract users and cultivate their willingness to pay for music.

Revenues from advertising dropped on a year-over-year basis as our advertising business continued to be negatively impacted by the industry adjustment, but increased sequentially due to seasonality. We have taken several steps to mitigate the impact, such as enhancing product quality, adding more creative ad solutions like branded playlists, and partnering more closely with Tencent to reach more advertisers. These initiatives will bear fruits over time and mitigate short-term headwinds, and we remain positive about our advertising business in the long run.

Sublicensing revenues and sales of digital album also dropped on a year-over-year basis and sequentially.

Social entertainment services and other revenues were RMB 4.7billion, down by 15% year-over-year as we faced intense competitions from other pan-entertainment platforms and a changing macro environment. To adapt to the changing environment and to stabilize revenue scale, we have differentiated our content offerings by expanding our audio live streaming, and enriched our virtual interactive product offerings, such as TMELAND. We are also expanding our international footprint for our WeSing business as discussed earlier.

Gross margin in Q4 was 28.8%, down by 3.6% year-over-year due to the following factors: First, gross margin for WeSing declined, as we increased revenue sharing ratio during the year. Second, given the continuous growth in music subscription revenues, our revenue mix shifted, with revenues from online music, which generally have a lower gross margin, accounting for a higher percentage of revenues. Third, revenues from audio live streaming, whose gross margin was relatively lower, also grew and accounted for a higher percentage of revenues.

In addition, increased investments in new product and content offerings, such as long-form audio, also impacted the margin.

Now moving on to operating expenses, total operating expenses for Q4 2021 were RMB1.8 billion or 24% as a percentage of total revenues, as compared to 20% in the same period last year. Selling and marketing expenses were RMB750 million, down by 3% year-over-year. During the quarter, we continued to make efforts in managing external promotion channels' efficiency and better utilizing our internal traffic. Excluding the impact from TMEA event, as the event of 2020 was held in Q1 2021, selling and marketing expenses would have dropped even more.

General and administrative expenses were RMB1.1 billion, up by 18% year-over-year, driven by a higher number of employees in R&D as we invested in product enhancements, technology innovations and more diversified product offerings. Excluding the impact of approximately RMB 66 million from the acquisition of Lazy Audio, G&A would have increased by 10% year-over-year.

Our effective tax rate for Q4 2021 was 11.5%.

Our net profit was RMB 577 million and net profit attributable to equity holders of the Company for Q4 2021 was RMB536 million. Non-IFRS net profit was RMB 873 million and non-IFRS net profit attributable to equity holders of the Company was RMB832 million. Non-IFRS net profit margin was 11.5%.

As of December 31, 2021, our combined balances of cash, cash equivalents, term deposits and short-term investments were RMB24.7 billion, representing an increase of RMB236 million from Q3 2021.

And in March 2022, we won the bid to acquire certain land use right in Shenzhen at RMB1.05 billion and the first half of the consideration was already paid.

Next, I'll briefly discuss our performance for full year 2021. Our total revenues for 2021 were RMB 31.2 billion, up 7% year-over-year.

Revenues from online music services were RMB11.5 billion, up 23% year-over year, to which music subscription revenue is the largest contributor. Our music subscription business grew rapidly throughout the year with annual revenues of RMB7.3 billion and a 32% annual growth rate.

Revenues from social entertainment services declined slightly by 0.1% year-over-year given the increased competition and the changing macro environment.

Net profit attributable to equity holders of the Company under IFRS and non-IFRS were RMB3 billion and RMB4.15 billion, respectively.

Finally, I'll close my prepared remarks with some comments on outlook for 2022. In 2022, our core music businesses, particularly music subscription and advertising, are expected to grow and reach operating break-even for full year 2022. We are taking various actions to improve ARPPU and expect to see a slow recovery in 2022. Additionally, we are tightening controls on content costs with increased requirements on ROI.

For social entertainment services, with challenges from competitions and changing macro environment, we are tightening our cost controls and adjusting revenue sharing ratios to maintain healthy gross margin while keeping revenue scale.

Furthermore, from company-wide, we are focusing on our core businesses and taking actions to control headcount-related costs, improve headcount efficiency and closely monitor ROI of each channel for marketing expenses.

Finally, under the overall macro environment, we continue to invest mindfully in new products and services, including long-form audio and international business, with a focus on investment returns and future growth potentials.

This concludes our prepared remarks. Operator, we are ready to open the call for questions.

So I think, thank you very much for all of your questions, and thank you for joining us today. Feel free to contact TME's Investor Relations team if you have additional questions. This concludes today's call, and we look forward to speaking with you all again next quarter. Thank you, and goodbye.

Ross Liang: Thank you.

Shirley Hu: Thank you.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.