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CLOUD MUSIC INC.

雲音樂股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9899)

**INSIDE INFORMATION
UNAUDITED RESULTS FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2023 ANNOUNCED BY
OUR CONTROLLING SHAREHOLDER, NETEASE, INC.**

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On 16 November 2023 (after trading hours Hong Kong time), our controlling shareholder and parent company, NetEase, Inc. (“**NetEase**”), a company listed on the Nasdaq in the United States (NASDAQ: NTES) and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (HKEX: 9999), published its unaudited results for the third quarter ended 30 September 2023 (the “**NTES Earnings Release**”). The NTES Earnings Release contains references to our company’s financial performance for the third quarter ended 30 September 2023. A copy of the NTES Earnings Release is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and NetEase at <http://ir.netease.com/>.

The financial results contained in the NTES Earnings Release, including those relating to our company, have been prepared in accordance with Generally Accepted Accounting Principles of the United States, or U.S. GAAP, which are different from International Financial Reporting Standards (“**IFRSs**”). We use IFRSs to prepare and present our financial information. As such, the financial information contained in the NTES Earnings Release is not directly comparable with the financial results published and to be published by our company.

Our shareholders and potential investors are reminded that the financial results contained in the NTES Earnings Release are unaudited, are not required to be prepared in accordance with IFRSs, and have not been prepared or presented by our company. We make no indication or assurance that the financial results of our group will be the same as those presented in the NTES Earnings Release.

To ensure that our shareholders and potential investors have equal and timely access to the information pertaining to the Company, set forth below are the key highlights of financial and other information published by NetEase in the NTES Earnings Release that relate to our company, some of which may constitute inside information of our company.

Extract of the NTES Earnings Release relating to our company (also referred to as Cloud Music in the NTES Earnings Release)

Third Quarter 2023 Financial Highlights

- Cloud Music net revenues were RMB2.0 billion (US\$270.4 million), a decrease of 16.3% compared with the third quarter of 2022.

Third Quarter 2023 and Recent Operational Highlights

- Cloud Music considerably strengthened its music-centric membership monetization and further improved profitability. Cloud Music continued to cultivate its music community and introduce premium offerings, including expansive content and innovative features.

“In our broader NetEase family, Cloud Music and Youdao are tracking well, delivering innovative content offerings in their respective fields. Looking forward, creating products and content with a passion that invigorates the market and shapes resonant experiences will drive value for our users and for our Company,” Mr. Ding concluded.

Third Quarter 2023 Financial Results

Net Revenues

Net revenues from Cloud Music were RMB1,973.1 million (US\$270.4 million) for the third quarter of 2023, compared with RMB1,948.5 million and RMB2,357.2 million for the preceding quarter and the third quarter of 2022, respectively.

Gross Profit

The quarter-over-quarter and year-over-year increases in Cloud Music’s gross profit primarily resulted from increased net revenues from sales of membership subscriptions and continued improvement in cost control measures.

Gross Profit Margin

Gross profit margin for Cloud Music for the third quarter of 2023 was 27.2%, compared with 27.0% and 14.2% for the preceding quarter and the third quarter of 2022, respectively. The quarter-over-quarter and year-over-year improvements were mainly due to the factors enumerated above.

NETEASE, INC.
UNAUDITED SEGMENT INFORMATION
(in thousands, except percentages)

	Three Months Ended				Nine Months Ended		
	September 30,	June 30,	September 30,	September 30,	September 30,	September 30,	September 30,
	2022	2023	2023	2023	2022	2023	2023
	RMB	RMB	RMB	USD (Note 1)	RMB	RMB	USD (Note 1)
Net revenues:							
Cloud Music	2,357,248	1,948,539	1,973,064	270,431	6,615,964	5,881,444	806,119
Cost of revenues:							
Cloud Music	(2,023,600)	(1,422,855)	(1,436,552)	(196,896)	(5,745,203)	(4,379,785)	(600,299)
Gross profit:							
Cloud Music	333,648	525,684	536,512	73,535	870,761	1,501,659	205,820
Gross profit margin:							
Cloud Music	14.2%	27.0%	27.2%	27.2%	13.2%	25.5%	25.5%

The accompanying notes are an integral part of this announcement.

Note 1: The conversion of Renminbi (RMB) into United States dollars (USD) is based on the noon buying rate of USD1.00 = RMB7.2960 on the last trading day of September 2023 (September 29, 2023) as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on September 29, 2023, or at any other certain date.

The business performance for the third quarter ended 30 September 2023 contained in this announcement represents preliminary statistics and a preliminary assessment based on the management accounts of our group and such information has not been audited or reviewed by our company's auditor.

Our shareholders and potential investors are advised not to place undue reliance on the NTES Earnings Release and to exercise caution when dealing in the securities of our company.

By Order of the Board of Directors of
Cloud Music Inc.
Mr. William Lei Ding
Chairman of the Board

Hong Kong, 16 November 2023

As at the date of this announcement, our company's board of directors comprises Mr. William Lei Ding, Mr. Yong Li and Ms. Yanfeng Wang as executive directors, Mr. Yat Keung Li, Mr. Dewei Zheng and Mr. Ran Wang as non-executive directors, and Mr. Ying Kit Caleb Lo, Mr. Xianfeng Gu and Mr. Zhong Xu as independent non-executive directors.