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CLOUD VILLAGE INC.

雲音樂股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9899)

INSIDE INFORMATION

UNAUDITED FINANCIAL RESULTS FOR THE FOURTH QUARTER AND THE YEAR ENDED 31 DECEMBER 2021 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 24 February 2022 (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 financial results for the fourth quarter and the year ended 31 December 2021 (the “**NTES Earnings Release**”). The NTES Earnings Release contains references to our company’s financial performance for the fourth quarter and the year ended 31 December 2021. 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)

Fourth Quarter 2021 Financial Highlights

- Cloud Music net revenues were RMB1.9 billion (US\$296.5 million), an increase of 23.9% compared with the fourth quarter of 2020. ^[1]

Fourth Quarter 2021 and Early 2022 Operational Highlights

- Successfully completed the initial public offering and listing of Cloud Village Inc. (HKEX: 9899, “**Cloud Village**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) in December 2021. Increased Cloud Music’s MAUs of online music services around 1% from 2020 to 2021. Continued to nurture independent artists, serving more than 400,000 independent musicians by the end of 2021 through Cloud Music platforms.

“Having completed Cloud Village’s IPO, we will continue to improve our music platforms’ infrastructure and offerings to enrich our users’ experience. In 2022 we plan to further cultivate our core interests and enhance content within each of our verticals.” Mr. Ding concluded.

Fourth Quarter 2021 Financial Results

Net Revenues

Net revenues from Cloud Music were RMB1,889.3 million (US\$296.5 million) for the fourth quarter of 2021, compared with RMB1,924.7 million and RMB1,524.5 million for the preceding quarter and the fourth quarter of 2020, respectively.

Gross Profit

The quarter-over-quarter increase in Cloud Music gross profit was primarily due to improved cost control. The year-over-year increase was primarily due to the increased net revenues from its social entertainment services and others as well as improved cost control.

Gross Profit Margin

Gross profit margin for Cloud Music for the fourth quarter of 2021 was 4.1%, compared with 2.2% and negative gross profit margin of 7.1% for the preceding quarter and the fourth quarter of 2020, respectively. The quarter-over-quarter and year-over-year improvements were mainly due to the factors enumerated above.

Fiscal Year 2021 Financial Results

Net Revenues

Net revenues from Cloud Music were RMB6,997.6 million (US\$1,098.1 million) for fiscal year 2021, compared with RMB4,895.7 million for fiscal year 2020.

Gross Profit

The year-over-year increase in Cloud Music gross profit was primarily attributable to increased net revenues as well as improved cost control.

^[1] Effective in the fourth quarter of 2021, NetEase changed its segment disclosure to separately report the results of Cloud Music.

Segment Information

The following is a summary of the selected financial information relating to Cloud Music, extracted from the NTES Earnings Release:

NETEASE, INC.

UNAUDITED SEGMENT INFORMATION

(in thousands, except percentages)

	Three Months Ended				Year Ended		
	December 31, 2020	September 30, 2021	December 31, 2021	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2021
	RMB	RMB	RMB	USD (Note 1)	RMB	RMB	USD (Note 1)
Net revenues:							
Cloud Music	1,524,509	1,924,683	1,889,265	296,467	4,895,731	6,997,622	1,098,080
Cost of revenues:							
Cloud Music	(1,632,497)	(1,881,859)	(1,812,036)	(284,348)	(5,491,066)	(6,854,948)	(1,075,691)
Gross profit:							
Cloud Music	(107,988)	42,824	77,229	12,119	(595,335)	142,674	22,389
Gross profit margin:							
Cloud Music	(7.1%)	2.2%	4.1%	4.1%	(12.2%)	2.0%	2.0%

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 = RMB6.3726 on the last trading day of December 2021 (December 30, 2021) 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 December 30, 2021, or at any other certain date.

We will publish our financial results for the year ended 31 December 2021 on the Stock Exchange around the end of March 2022 (the “**2021 Annual Results Announcement**”). Our shareholders and potential investors are advised to refer to the 2021 Annual Results Announcement, which will be prepared and presented by our company, for a detailed discussion of the financial and business performance of our company for the year ended 31 December 2021.

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

Hong Kong, 24 February 2022

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. Feng Yu as non-executive directors, and Mr. Ying Kit Caleb Lo, Mr. Xianfeng Gu and Mr. Zhong Xu as independent non-executive directors.