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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 2022 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 17 November 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 results for the third quarter ended 30 September 2022 (the “**NTES Earnings Release**”). The NTES Earnings Release contains references to our company’s financial performance for the third quarter ended 30 September 2022. 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 2022 Financial Highlights

- Cloud Music net revenues were RMB2.4 billion (US\$331.4 million), an increase of 22.5% compared with the third quarter of 2021.

Third Quarter 2022 and Recent Operational Highlights

- Enhanced content and product innovation for Cloud Music, driving solid growth in net revenues and continued margin improvement.

“In addition to our games, we maintained our differentiated offerings with our Youdao, Cloud Music and Yanxuan businesses. As we move forward, we will continue to leverage our innovative content and services to drive sustainable growth across each of our carefully cultivated businesses,” Mr. Ding concluded.

Third Quarter 2022 Financial Results

Net Revenues

Net revenues from Cloud Music were RMB2,357.2 million (US\$331.4 million) for the third quarter of 2022, compared with RMB2,191.5 million and RMB1,924.7 million for the preceding quarter and the third quarter of 2021, respectively.

Gross Profit

The quarter-over-quarter and year-over-year increases in Cloud Music gross profit were primarily due to increased net revenues from its social entertainment services, as well as continuously improved cost control measures.

Gross Profit Margin

Gross profit margin for Cloud Music was 14.2% for the third quarter of 2022, compared with 13.0% and 2.2% for the preceding quarter and the third quarter of 2021, respectively. The quarter-over-quarter and year-over-year improvements were mainly due to the factors enumerated above.

Share Repurchase/Purchase Program

NetEase also purchased approximately 0.7 million ordinary shares of Cloud Music in open market transactions on the Hong Kong Stock Exchange for a total cost of US\$6.9 million during the third quarter of 2022.

The extent to which NetEase repurchases its ADSs and its ordinary shares or purchases Youdao’s ADSs and Cloud Music’s ordinary shares will depend upon a variety of factors, including market conditions. These programs may be suspended or discontinued at any time.

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

	Three Months Ended				Nine Months Ended		
	September 30, 2021	June 30, 2022	September 30, 2022	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2022
	RMB	RMB	RMB	USD (Note 1)	RMB	RMB	USD (Note 1)
Net revenues:							
Cloud Music	1,924,683	2,191,510	2,357,248	331,377	5,108,357	6,615,964	930,057
Cost of revenues:							
Cloud Music	(1,881,859)	(1,905,954)	(2,023,600)	(284,473)	(5,042,912)	(5,745,203)	(807,648)
Gross profit:							
Cloud Music	42,824	285,556	333,648	46,904	65,445	870,761	122,409
Gross profit margin:							
Cloud Music	2.2%	13.0%	14.2%	14.2%	1.3%	13.2%	13.2%

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 = RMB7.1135 on the last trading day of September 2022 (September 30, 2022) 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 30, 2022, or at any other certain date.

The business performance for the third quarter ended 30 September 2022 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, 17 November 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.