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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 FIRST QUARTER ENDED 31 MARCH 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 25 May 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 first quarter ended 31 March 2023 (the “**NTES Earnings Release**”). The NTES Earnings Release contains references to our company’s financial performance for the first quarter ended 31 March 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)

First Quarter 2023 Financial Highlights

- Cloud Music net revenues were RMB2.0 billion (US\$285.4 million), a decrease of 5.2% compared with the first quarter of 2022.

First Quarter 2023 and Recent Operational Highlights

- Continued to enrich the Cloud Music ecosystem and expand its unique content offerings, while enlarging its thriving community with high user engagement, improving its gross margin and fortifying its foundation for future development.

“In addition to gaming, Cloud Music and Youdao continue to develop trailblazing content that drives their respective industries forward. Across the NetEase family, we strive to raise the bar with dynamic, premium content that increases the value we provide to our growing user community and all of our stakeholders,” Mr. Ding concluded.

First Quarter 2023 Financial Results

Net Revenues

Net revenues from Cloud Music were RMB1,959.8 million (US\$285.4 million) for the first quarter of 2023, compared with RMB2,376.3 million and RMB2,067.2 million for the preceding quarter and the first quarter of 2022, respectively. In the first quarter of 2023, Cloud Music introduced a number of measures to its live streaming services to enhance the listening experience of more dedicated music fans and reinforce its risk controls. These included reducing the in-app exposure of certain live streaming functions and lowering broadcasters’ and agencies’ revenue sharing ratio. These measures led to a decrease in net revenues from Cloud Music’s social entertainment services in the first quarter.

Gross Profit

The quarter-over-quarter and year-over-year increases in Cloud Music’s gross profit primarily resulted from continued improvement in cost control measures.

Gross Profit Margin

Gross profit margin for Cloud Music was 22.4% for the first quarter of 2023, compared with 17.8% and 12.2% for the preceding quarter and the first quarter of 2022, respectively. The quarter-over-quarter and year-over-year improvements were mainly due to the improvement in cost control measures.

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

| | Three Months Ended | | | |
|-----------------------------|---------------------------|---------------------|------------------|---------------------|
| | March 31, | December 31, | March 31, | March 31, |
| | 2022 | 2022 | 2023 | 2023 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>USD (Note 1)</i> |
| Net revenues: | | | | |
| Cloud Music | 2,067,206 | 2,376,257 | 1,959,841 | 285,375 |
| Cost of revenues: | | | | |
| Cloud Music | (1,815,649) | (1,953,900) | (1,520,378) | (221,384) |
| Gross profit: | | | | |
| Cloud Music | 251,557 | 422,357 | 439,463 | 63,991 |
| Gross profit margin: | | | | |
| Cloud Music | 12.2% | 17.8% | 22.4% | 22.4% |

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 = RMB6.8676 on the last trading day of March 2023 (March 31, 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 March 31, 2023, or at any other certain date.

The business performance for the first quarter ended 31 March 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, 25 May 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. Feng Yu as non-executive directors, and Mr. Ying Kit Caleb Lo, Mr. Xianfeng Gu and Mr. Zhong Xu as independent non-executive directors.