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 网易云音乐
CLOUD MUSIC INC.
雲音樂股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9899)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

Our Board is pleased to announce the unaudited consolidated results of our Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023. These unaudited consolidated annual results have been reviewed by our Board’s audit committee together with our management.

| | Year ended 31 December | | |
|---|---|-----------|------------|
| | 2023 | 2022 | Change (%) |
| | <i>(RMB in thousands, except percentages)</i> | | |
| Revenue | 7,866,992 | 8,992,221 | -12.5% |
| Gross profit | 2,102,670 | 1,293,118 | +62.6% |
| Profit/(Loss) before income tax | 767,679 | (204,479) | N/A |
| Profit/(Loss) for the year | 734,182 | (221,494) | N/A |
| Non-IFRS measure: | | | |
| Adjusted net profit/(loss) ⁽¹⁾ | 818,500 | (114,573) | N/A |

Note:

- (1) Adjusted net profit/(loss) is defined as profit/(loss) for the year adjusted by adding back equity-settled share-based payments as appropriate. For details of the reconciliation of the profit/(loss) for the year to the adjusted net profit/(loss) of our Group, see the section headed “Financial Review” below.

Non-IFRS measure

To supplement our consolidated results, which are prepared and presented in accordance with IFRS, our Company uses adjusted net profit/(loss) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that this measure facilitates comparisons of operating performance from period to period and company to company by eliminating the potential impact of items that our management does not consider to be indicative of our Group's operating performance, such as certain non-cash items. The use of this non-IFRS measure has limitations as an analytical tool, and shareholders and potential investors of our Company should not consider them in isolation from, as a substitute for, analysis of, or superior to, our Group's results of operations or financial condition as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies. Our presentation of this non-IFRS measure should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items.

General notes

In this announcement: (i) "we", "us", and "our" refer to our Company and where the context otherwise requires, our Group; (ii) numbers may be subject to rounding and approximations to one or two decimal places; and (iii) unless otherwise stated, the exchange rates used are RMB1 to HK\$1.1035 and US\$0.1412.

KEY OPERATING DATA

The following table sets forth our MAUs of online music services for the years indicated.

| | Year ended 31 December | |
|---|------------------------|-------|
| | 2023 | 2022 |
| MAUs of online music services (in millions) | 205.9 | 189.4 |

Our revenues depend on our ability to monetise, to convert more users into paying users and to increase the spending of our paying users. The following table sets forth our monthly paying users and monthly ARPPU (average revenue per paying user) in 2022 and 2023.

| | Year ended 31 December | |
|--|------------------------|----------|
| | 2023 | 2022 |
| Monthly paying users (in thousands) | | |
| Online music services | 44,120.0 | 38,267.1 |
| Social entertainment services | 1,602.9 | 1,332.3 |
| Monthly ARPPU (RMB) | | |
| Online music services ⁽¹⁾ | 6.9 | 6.6 |
| Social entertainment services ⁽²⁾ | 178.6 | 326.0 |

Notes:

- (1) The revenues used to calculate the monthly ARPPU of online music services include revenues from membership subscriptions only, which amounted to RMB3,037.1 million and RMB3,649.2 million in 2022 and 2023, respectively.
- (2) The revenues used to calculate the monthly ARPPU of social entertainment services include revenues from social entertainment only, which amounted to RMB5,212.1 million and RMB3,434.7 million in 2022 and 2023, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Throughout 2023, we had continued with our quality development across our core music-centric ecosystem, considerably strengthening our music-centric monetisation capabilities and further improving our profitability. Our appeal to users has been enhanced as we bolstered our content ecosystem and broadened our differentiated offerings, including adding new innovative features and strengthening our community attributes. These successful efforts, combined with advanced membership privileges offered, drove notable growth in our subscription-based memberships. Having been backed by the solid monetisation momentum from our core online music business and our optimised operating efficiency and cost structure, we reached a record high on profitability for the full year of 2023 and achieved a profit making position for a financial year for the first time in our history.

We worked diligently to strengthen our music-centric monetisation capabilities throughout 2023. Our online music business has continued to show solid growth momentum on a year-over-year basis. Our revenue from subscription-based memberships grew by 20.2% year over year, mainly driven by a scale-up in the number of subscribers, along with moderate ARPPU improvement. We have enhanced our premium offerings, including expansive content and innovative features, along with broadened membership privileges and joint programmes with external partners, delivering a notable 15.3% year-over-year increase in our subscriber base. Moreover, membership retention rates improved among our rapidly expanding, high-quality subscriber base. On top of subscriptions, we also strengthened our advertising commercialisation capabilities in 2023, backed by our brand's increasing influence and more diversified advertisement formats. In particular, our ad-supported mode began contributing to our incremental advertising revenue stream in the second half of 2023.

We improved our profitability considerably for the full year of 2023. This was primarily due to the benefits of economies of scale and ongoing cost optimisation. Gross margins soared to 26.7% for 2023, compared with 14.4% in 2022, owing to the strong monetisation in our core online music business, and improved copyright cost structure and revenue sharing ratio. Consequently, we achieved an adjusted net profit of RMB818.5 million in 2023, marking our first positive full-year bottom-line performance, compared to an adjusted net loss of RMB114.6 million in 2022.

Despite an industry-wide slowdown, our MAUs of online music services for 2023 steadily increased to 205.9 million, representing a growth of 8.7% year-over-year. Our MAU growth was attributable to the ongoing broadening of our differentiated premium offerings and enhancing user experience across various music-listening scenarios, improved brand awareness, and our stronger platform operating capabilities. In addition, we implemented measures to make the premium privileges of our online music membership more accessible, which also helped us attract both high-quality active users and paying users.

We continued to engage users across our leading music-inspired community during 2023, and our DAU/MAU ratio (daily active user/monthly active user ratio) consistently remained above 30%. Moreover, our fast-growing online music subscriber group is more engaging on our platform, with more time spent and a higher activity ratio, as compared to non-paying users. Throughout the year, we focused on improving users' music discovery and consumption experience, as well as fostering our music-centric community, through product innovation, particularly by integrating AI technology. As we continuously deepened our understanding of users' music preferences and enhanced our AI-powered recommendation algorithms, the percentage of music streams stemming from platform-recommendations continued to increase in 2023.

In 2023, we continually broadened our content offerings and expanded our catalogue of music labels, with a focus on improving cost efficiency. Paired with our strong support for independent artists and enhancements to our in-house music production, we have developed a comprehensive and differentiated content ecosystem that encourages user stickiness and their willingness to subscribe to our premium offerings. Apart from top-tier music content, we focused on our most advantageous music genres, such as hip-hop, fuelled by our initiatives in both copyrighted content and original music.

For our social entertainment arm, revenue has declined 33.6% year-over-year, as we refined our operating strategies in social entertainment services. We introduced multiple measures in the social entertainment services to enhance the listening experience of more dedicated music fans and improve profitability. We also further reinforced our internal controls mechanism for social entertainment services.

Going forward, we will remain committed to bringing more high-quality music to our users, cultivating our community and enhancing user experience, further strengthening our operating and commercialisation capabilities, and improving profitability. Our plans call to:

- further diversify and enhance our differentiated content offerings with better efficiency. We plan to deepen our collaboration with copyright holders, as well as to strengthen our capabilities in independent artist incubation and in-house music production, focusing on our advantageous music genres;
- foster our music-oriented community ecosystem and explore innovative interpersonal interaction via comprehensive enhancements to our product offerings, including embedding our products with more interactive features and broadening communicative scenarios and ecology;
- cultivate our users' willingness to pay and subscribe to premium offerings by improving user experience, deepening user engagement, enhancing membership privileges and broadening consumption scenarios; and
- improve profitability through continuous cost optimisation, enhanced operating efficiency and disciplined cost control.

Comprehensive and differentiated content ecosystem

We further expanded our content library to include a wider variety of music, including tracks from established labels, independent artists and our in-house studios. As of the end of 2023, we have accumulated approximately 149 million music tracks. Our diverse selection of music is continually updated to meet the evolving needs of our users, particularly younger users who have varied preferences and a desire to discover new music. In addition to top-tier renowned music works, we especially focused on promoting our advantageous music genres, such as hip-hop, Chinese folk and rock.

Enhancing partnerships with copyright holders

Throughout the year, we consistently demonstrated our commitment to fostering strong partnerships with music copyright holders and actively worked towards deepening these collaborations, ultimately benefiting both copyright holders and music enthusiasts.

- ***Expansive catalogue of music labels.*** We expanded our catalogue of music labels throughout 2023, including new partnerships with renowned labels such as B'in Music, CoMix Wave Films (新海誠), Sodagreen/Oaeen (魚丁糸), RYCE Entertainment (represented by Jackson Wang), etc. We successfully broadened our extensive music collection by adding songs from influential musicians, singers, and groups, including Mayday, Sodagreen, Jackson Wang, Karen Mok (莫文蔚), Li Yuchun (李宇春), Phoenix Legend (鳳凰傳奇), Cheer Chen (陳綺貞), Crowd Lu (盧廣仲), Cui Jian (崔健), and Zheng Jun (鄭鈞). We were also pleased to renew our copyright partnership agreement with EE-Media, which deepens our two-way collaboration to promote popular Chinese music content. Additionally, we extended our reach to overseas record labels such as DREAMUS (represented by popular artists including Shinhwa), JTBC (which is renowned for its vast library of original soundtracks), Lantis and Space Shower, etc.
- ***Recorded impressive album sales performances from top artists.*** We successfully collaborated with several copyright holders and top artists, resulting in impressive sales of premium albums on our platform. For example, the latest digital album from Eason Chan, titled 《CHIN UP! 》, recorded the highest sales volume on our platform, among all online music streaming platforms in China. We also made a notable debut in the physical album market, recording more than RMB20 million in total gross sales for our first co-published physical album, Chenyu Hua's new album “希忘 (Xiwang) Hope” which launched in May 2023. We subsequently successfully promoted the sales of Zhang Jie's physical album, “Wainanjie 1982”.
- ***Promoting advantageous music genres.*** Music genres such as hip-hop and Chinese folk have seen a surge in popularity on our platform. Hit songs, including “Wo Ji De (《我記得》)” by Chinese folk musician Lei Zhao, “Snow Distance (《雪 Distance》)” by Capper & Yan Luo, and “Leng Zhan (《冷戰》)” by TizzyT and Vinida, showcased the positive momentum we have built across these genres. We also successfully promoted the digital album sales in our advantageous music genres, including albums from MC HotDog (熱狗), KeyNG (楊和蘇), Eason Shen (沈以誠), and MaSiWei (馬思唯).

Strengthening our leading independent artists ecosystem

We continue to enhance our support system for independent artists, offering comprehensive assistance throughout their music industry journey. This includes support from creation to promotion and financial aid. As of 31 December 2023, our platform had nearly 684,000 registered independent artists who contributed around 3.1 million music tracks in total to our library. We remain committed to investing in initiatives that bolster musicians, improve music creation tools, and expand online and offline music exposure. These initiatives aim to help independent artists increase their influence and commercial income, ultimately strengthening the original music ecosystem on our platform.

- ***Exploring and improving the exposure of musicians and their work.*** We leverage our internal and external resources to boost the level of visibility of musicians and their quality work, particularly in our advantageous genres. Our musician discovery programmes aim to identify and nurture talented individuals, such as the ongoing Project Cornerstone (石頭計劃) up to its fifth season for discovering fresh musicians, and particularly focusing on hip-hop and other advantageous music genres, including Take in and Rap Out (街頭招式計劃) and the New Voice Power Project (新聲勢力計劃), etc. Our region-oriented music promotions include “City Tour Guide” (城市雲遊指南) special planning series, an online exposure opportunity for regionally representative talents and “Localised Sound (近地之聲)”, a new program which offers comprehensive support to local musicians via online features and activities. To expand the outreach of musicians and premium content, we utilised our internal and external resources to promote expansive music content, and our extensive promotion channels included music festivals and variety shows. We also collaborated with our partners like Pepsi to launch annual music festivals and resumed campus tour music festivals, nurturing NetEase Cloud Music musicians.
- ***Helping musicians improve their commercial value.*** Our supportive initiatives are designed to help musicians maximise their financial returns, which in turn help us promote original music ecosystem. In early 2023, we upgraded our renowned musicians’ support project, and rolled out “Project Cloud Ladder 2023 – Phase 1” (雲梯計劃2023第一期), which bolsters the financial aid to musicians by offering a more attractive financial settlement mechanism. In September 2023, we launched “Project Cloud Ladder 2023 – Phase 2”(雲梯計劃2023第二期) and introduced the new “Appreciation (讚賞)” feature for tipping. This feature facilitates innovative interaction between musicians and fans and also provide independent musicians with a new avenue to monetise their talent.
- ***Supporting musicians in content creation.*** We have launched a suite of AI-enabled tools to make music creation more accessible and efficient. The NetEase Tianyin platform is an all-in-one AI music creation tool that assists musicians with songwriting and music arrangements. We made NetEase Tianyin accessible to all musicians beginning in August 2023, and continually streamline the process of creating and releasing music. X Studio, an AI-based voice synthesis software developed in partnership with Xiaoice, offers a wide range of natural singing voices, covering styles like pop and folk, that musicians can conveniently select from. We held AI songwriting competitions and introduced the “AI Rap Song Contest”, to inspire musicians to leverage AI-enabled tools to produce more high-quality songs, especially the hip-hop genre.

Developing differentiated in-house music

Building on our expertise in music, a wide and varied user base, and in-depth user insights, our multiple in-house studios continued to focus on creating unique music content to further enrich our content matrix.

- ***Crafting high-quality music content tailored to a variety of needs.*** Since the beginning of 2023, our in-house studios have successfully popularised multiple hit songs, including “Xiang Yun Duan” (《向雲端》), “Jing Wei” (《精衛》) and “To You” (《予你》). In particular, our co-produced song “Xiang Yun Duan” (《向雲端》) has demonstrated remarkable popularity. Additionally, we focused on our advantageous music genres, and have produced a number of popular hip-hop song tracks, including “Sunshine Boys and Sunshine Girls 2023” (《陽光男孩陽光女孩 2023》), and “Shen Shan” (《聖山》). Our in-house studios have recently launched several special music projects, aiming at producing and promoting in-house music, covering band music, hip-hop, R&B, pure music, as well as film music.
- ***Deepening collaboration with NetEase and commercial brands.*** Our in-house music works have been featured in many prominent galas and have served large-scale sports events and influential public events. We also further created value through deeper collaboration with NetEase’s portfolio like *Eggy Party* (蛋仔派對), *Fantasy Westward Journey* (夢幻西游), and *Onmyoji* (陰陽師), and external commercial brands, such as SAIC Volkswagen, and Yili.

Diversified audio-based content offerings

In addition to music tracks, we have been actively expanding the long-form audio offerings on our platform. This includes user-generated podcasts (including PUGC/UGC) and professionally generated content (PGC) such as audio books and radio dramas. Our aim is to create a comprehensive listening experience for our users, catering to their diverse interests and preferences, and ultimately increasing user engagement and exploring potential commercial opportunities. In 2023, we saw a significant increase in the consumption of our long-form audio content, with the total listening time growing by 70.9% compared to the previous year.

- ***PUGC/UGC – podcast.*** The podcast is an essential part of our content ecosystem, with a focus on music-inspired content and real-life stories. We have enhanced our Music-Podcast feature, which combines podcasting and music discovery in a unique format on our platform. This new format offers an enjoyable way for music fans to discover quality and lesser-known songs while listening to podcasts, thereby increasing user engagement and music consumption.
- ***PGC – audio books & radio dramas.*** We have been expanding our PGC long-form audio content library in a cost-efficient manner, particularly by increasing our pool of self-produced content. A notable success is the radio drama “The Young Master and I (少爺和我)”, which is adapted from popular comedy. This new approach did not only help broaden our audio content library but also improved content creation efficiency.

Community ecosystem and product innovation

During 2023, we further promoted our initiatives in product innovation, especially through advancements in AI technology. We innovated the music discovery and consumption experience, added features empowering strong music-inspired connections, and broadened communication scenarios. Our efforts have helped to elevate user experience, inspiring music-resonance and increasing user stickiness, resulting in the growth of our multi-layered community ecology.

Optimising users' music discovery and listening experience

- **AI-enabled functions.** We officially launched the “Private DJ” (私人 DJ) feature on our platform, incorporating music recommendations with an intelligent and personalised music introduction and explanatory experience including song recommendations, background stories of songs and encyclopaedia. This feature allows users to enjoy a more personalised music accompaniment.
- **Music content discovery and distribution.** We continuously improved our understanding of users' music preferences in various scenarios and enhanced our algorithms using advanced models, such as an Large Multimodal Model (LMM) and multi-scene recommendation sorting model (多場景推薦排序模型). The latter consolidated user preference behaviours across different sections of the entire platform to provide song recommendations.

Fostering music-inspired community resonance and connections

- **Community resonance inspired by music content.** Our music community is centred around the iconic Comments section on our platform. Through optimisations in product, operation, and algorithm, we consistently amplify the value of comments across our platform, including the playback page, search function, and landing page layout. Our new feature, “Moments Square (動態廣場),” is a vibrant hub where users can interact with comments, forming a community where they can share and connect with each other's feelings.
- **Music-centric connections.** We continually engage our community to have more music-inspired connections and strengthen the bonds within our community. We have made ongoing improvements to our Fans Space (樂迷團) function, an interactive platform for artists and their fans to connect and encourage interaction among users with similar music tastes.

Expanding music consumption and communicative scenarios

- **Expanding collaboration with NetEase Games.** This allows users to choose from different listening options while playing popular games. We have partnered with *Eggy Party* (蛋仔派對), integrating our music player into its core gaming scenes. We have also launched a cooperative gift package that includes custom in-game skins and actions featuring Cloud Music IP attributes. Additionally, users can access an Eggy Party-themed player interface within the NetEase Cloud Music app. In our collaboration with *Sky* (光遇), we launched several joint programs, such as embedding a music player within gaming scenes, creating game-themed music-player skins, and introducing the “Multi-person Listen Together (多人一起聽)” feature within the game.
- **IoT layouts.** We recently added a new feature that allows users to easily switch between different devices like mobile phone, PC, TV, and in-car scenarios, effectively addressing diverse needs of our users.

FINANCIAL REVIEW

Overview

Over the Reporting Period, we recorded a revenue of RMB7,867.0 million and a gross profit of RMB2,102.7 million. Our gross profit significantly increased by RMB809.6 million, primarily due to improved cost control, which also led to our turnaround from loss to profit. We recorded a net profit of RMB734.2 million in 2023, compared with a net loss of RMB221.5 million in 2022.

Revenue

Our revenue decreased by 12.5% from RMB8,992.2 million in 2022 to RMB7,867.0 million in 2023.

Revenue from online music services increased by 17.6% from RMB3,698.8 million in 2022 to RMB4,350.9 million in 2023. In particular, revenue from sales of membership subscriptions increased from RMB3,037.1 million in 2022 to RMB3,649.2 million in 2023. Due to our continued efforts in improving user experience, innovating interactive features and enriching our content offerings, MAUs of online music services grew from 189.4 million in 2022 to 205.9 million in 2023. Monthly paying users of online music services has experienced significant growth from 38.3 million in 2022 to 44.1 million in 2023 as well as our monthly ARPPU of online music services increased from RMB6.6 in 2022 to RMB6.9 in 2023 as a result of optimised promotions.

Revenue from social entertainment services and others decreased by 33.6% from RMB5,293.4 million in 2022 to RMB3,516.1 million in 2023. The decrease was mainly due to a more cautious operating strategy we adopted such as reducing the in-app exposure of certain functions and lowering revenue sharing ratio. We have also further strengthened our internal control mechanism. In particular, our monthly paying users of social entertainment services expanded from 1,332.3 thousand in 2022 to 1,602.9 thousand in 2023, and monthly ARPPU of social entertainment services was RMB326.0 in 2022 and RMB178.6 in 2023, respectively.

Cost of Revenue

Our cost of revenue decreased by 25.1% from RMB7,699.1 million in 2022 to RMB5,764.3 million in 2023, attributable to an decrease in content service costs from RMB6,711.6 million in 2022 to RMB4,598.7 million in 2023. The decrease in content service costs was primarily due to a decrease in revenue sharing fees along with a decrease in revenue from social entertainment services with lower revenue sharing ratio. Furthermore, we implemented measures to improve management and control over content licensing fees.

Gross Profit and Gross Margin

As a result of the above, our gross profit increased by 62.6% from RMB1,293.1 million in 2022 to RMB2,102.7 million in 2023, as a result of increased revenues from sales of membership subscriptions and continued improvement in cost control measures. Our gross margin increased from 14.4% in 2022 to 26.7% in 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 19.5% from RMB634.7 million in 2022 to RMB758.2 million in 2023, primarily due to an increase in promotion and advertising expenses to expand our brand influence and increase our user base.

General and Administrative Expenses

Our general and administrative expenses decreased by 3.8% from RMB171.6 million in 2022 to RMB165.1 million in 2023, primarily due to a decrease in employee benefit expenses.

Research and Development Expenses

Our research and development expenses decreased by 14.1% from RMB1,011.1 million in 2022 to RMB868.7 million in 2023, primarily due to the decrease in employee benefit expenses and improved cost control over technology development fees.

Other Income

Our other income decreased by 49.5% from RMB142.3 million in 2022 to RMB71.8 million in 2023, primarily due to a decrease in value-added tax subsidies.

Other Losses, Net

We recorded other losses of RMB52.3 million in 2023 (in 2022: RMB2.6 million). The other losses were primarily attributable to a loss recognised in relating to an other receivable. For details, please refer to Note 4 to the unaudited consolidated financial statements of our Group set out in this announcement.

Finance Income, Net

Our finance income increased from RMB183.1 million in 2022 to RMB437.9 million in 2023, primarily due to increased interest income from bank deposits with an increase of USD fixed deposit rate.

Taxation

We recorded income tax expenses of RMB33.5 million in 2023 as compared to income tax expenses of RMB17.0 million in 2022, primarily due to an increase in withholding tax of interest income.

Profit/(Loss) for the Year

As a result of the above, we generated a profit of RMB734.2 million in 2023, compared with a loss of RMB221.5 million in 2022.

Adjusted Net Profit/(Loss)

Our adjusted net profit reached RMB818.5 million in 2023, compared with adjusted net loss of RMB114.6 million in 2022. Adjusted net profit/(loss) is a non-IFRS measure and is defined as profit/(loss) for the year adjusted by adding back equity-settled share-based payments as appropriate. The following table reconciles the profit/(loss) for the year to adjusted net profit/(loss) for both years:

| | For the year ended | |
|--|---------------------------|-------------|
| | 31 December | |
| | 2023 | 2022 |
| | <i>(in RMB thousands)</i> | |
| Profit/(loss) for the year attributable to the equity holders of the Company | 734,182 | (221,494) |
| Add: | | |
| Equity-settled share-based payments ^{Note (1)} | 84,318 | 106,921 |
| Adjusted net profit/(loss) | 818,500 | (114,573) |

Note:

- (1) Equity-settled share-based payments mainly represent share-based compensation expenses incurred in connection with our share incentive plan adopted by the Company. Share-based compensation expenses are not expected to result in future cash payments and are not indicative of our core operating results. The reconciling item is non-cash and does not result in cash outflow.

Liquidity and Capital Resources

As at 31 December 2023, we funded our cash requirements principally from cash generated from operating activities. We had cash and cash equivalents of RMB2.9 billion and RMB4.0 billion as at 31 December 2022 and 2023, respectively.

Our principal uses of cash have been for funding of required working capital, capital expenditures and other recurring expenses to support the expansion of the Group's operations. Going forward, our Company intends to finance its expansion and business operations with a combination of the net proceeds received from our Company's global offering, and through sustainable growth. Any significant decrease in users of our online music services and/or social entertainment services may adversely impact our liquidity.

Gearing Ratio

As at 31 December 2023, our gearing ratio was 27.3% (31 December 2022: 28.2%). Gearing ratio is calculated as our total liabilities divided by our total assets as at a particular date.

Significant Investments

We did not make or hold any significant investments during 2023.

Material Acquisitions and Disposals

We did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities, associated companies or joint ventures during 2023.

Pledge of Assets

As at 31 December 2023, none of our assets were pledged to secure our loans and banking facilities.

Foreign Exchange Exposure

During the Reporting Period, save for the short-term bank deposits which are denominated in U.S. dollars, substantially all of our revenues and expenditures were denominated in RMB. Accordingly, we have certain exposure to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises when commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of our subsidiaries. The functional currency of our Company is U.S. dollar whereas the functional currency of our subsidiaries, which operate in the PRC, is RMB. We currently do not have a foreign currency hedging policy in respect of transactions undertaken in foreign currency but we manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures.

Future Plans for Material Investments

We had no other plans for material investments or capital assets as at 31 December 2023, except the intended use of proceeds as disclosed in the Prospectus.

Employee and Remuneration Policy

As at 31 December 2022 and 2023, we had 1,540 and 1,359 employees, respectively. As at 31 December 2023, substantially all of our employees were based in China.

The number of employees employed by our Group varies from time to time depending on business need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. Our Group's compensation system is well-structured and consists of a basic salary, a performance-based bonus and long-term incentives, which is reviewed periodically. As required by regulations in China, we participate in various employee social security plans that are organised by municipal and provincial governments for our PRC-based full-time employees including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing funds. According to the relevant laws and regulations in the PRC, the amount we are required to contribute for each of our employees under such plans should be calculated based on the employee's actual salary level of the previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. Our Group also provides training sessions to its employees, which mainly focus on campus recruiting personnel, management personnel and professional technology personnel.

Remuneration of Directors and other senior management of our Group is reviewed by our Company's remuneration committee and recommended to the Board based on our performance and the senior managements' respective contributions to our Group.

Additionally, our Company has (i) a share incentive plan, the principal terms of which are disclosed in Appendix IV of the Prospectus, and (ii) a restricted share unit plan, the principal terms of which are disclosed in our circular dated 24 May 2023. The total remuneration cost incurred by us during 2023 was RMB1,154.0 million (2022: RMB1,203.2 million).

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

| | <i>Notes</i> | Year ended 31 December | |
|--|--------------|-------------------------------|-------------------------|
| | | 2023 | 2022 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 2 | 7,866,992 | 8,992,221 |
| Cost of revenue | 3 | (5,764,322) | (7,699,103) |
| Gross profit | | 2,102,670 | 1,293,118 |
| Selling and marketing expenses | 3 | (758,235) | (634,677) |
| General and administrative expenses | 3 | (165,102) | (171,598) |
| Research and development expenses | 3 | (868,699) | (1,011,057) |
| Other income | | 71,799 | 142,315 |
| Other losses, net | 4 | (52,253) | (2,614) |
| Operating profit/(loss) | | 330,180 | (384,513) |
| Share of results of investments accounted for using equity method | | (63) | (2,722) |
| Finance income | | 437,879 | 183,105 |
| Finance cost | | (317) | (349) |
| Profit/(loss) before income tax | | 767,679 | (204,479) |
| Income tax expense | 5 | (33,497) | (17,015) |
| Profit/(loss) for the year attributable to equity holders of the Company | | <u>734,182</u> | <u>(221,494)</u> |
| Profit/(loss) per share attributable to equity holders of the Company (expressed in RMB per share) | | | |
| Basic earnings/(loss) per share | 6 | 3.49 | (1.06) |
| Diluted earnings/(loss) per share | 6 | 3.47 | (1.06) |

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

| | Year ended 31 December | |
|--|-------------------------------|-----------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit/(loss) for the year | 734,182 | (221,494) |
| Other comprehensive income: | | |
| Items that will not be reclassified to profit or loss | | |
| Currency translation differences | <u>105,712</u> | <u>519,465</u> |
| Other comprehensive income for the year, net of taxes | <u>105,712</u> | <u>519,465</u> |
| Total comprehensive income for the year attributable to equity holders of the Company | <u>839,894</u> | <u>297,971</u> |

UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023

| | | As at 31 December | |
|--|--------------|--------------------------|--------------------------|
| | <i>Notes</i> | 2023 | 2022 |
| | | RMB'000 | RMB'000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 33,022 | 45,836 |
| Right-of-use assets | | 6,313 | 7,824 |
| Investments accounted for using equity method | | 78,969 | 79,032 |
| Prepaid contents royalties | | 166,054 | 283,128 |
| Prepayments and deposits | | 3,034 | 300 |
| | | <u>287,392</u> | <u>416,120</u> |
| Current assets | | | |
| Accounts and bills receivable | 8 | 923,464 | 558,141 |
| Prepaid contents royalties | | 589,231 | 506,328 |
| Prepayments, deposits and other receivables | | 186,056 | 155,918 |
| Amounts due from group companies | | 98,315 | 138,504 |
| Short-term bank deposits | | 5,484,688 | 6,191,529 |
| Restricted cash | | 21,005 | 8,318 |
| Cash and cash equivalents | | 4,020,400 | 2,916,534 |
| | | <u>11,323,159</u> | <u>10,475,272</u> |
| Total assets | | <u>11,610,551</u> | <u>10,891,392</u> |
| Equity | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 137 | 135 |
| Other reserves | | 18,532,229 | 18,643,784 |
| Accumulated losses | | <u>(10,091,464)</u> | <u>(10,823,860)</u> |
| Total equity | | <u>8,440,902</u> | <u>7,820,059</u> |

| | | As at 31 December | |
|-------------------------------------|-------|--------------------------|--------------------------|
| | Notes | 2023 | 2022 |
| | | RMB'000 | RMB'000 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Contract liabilities | | 66,539 | 55,244 |
| Lease liabilities | | 3,358 | 5,623 |
| | | <u>69,897</u> | <u>60,867</u> |
| Current liabilities | | | |
| Accounts payable | 9 | 171 | 211 |
| Accruals and other payables | | 2,015,242 | 2,234,597 |
| Contract liabilities | | 1,001,013 | 714,259 |
| Amounts due to group companies | | 76,196 | 53,002 |
| Income tax payable | | 4,129 | 5,621 |
| Lease liabilities | | 3,001 | 2,776 |
| | | <u>3,099,752</u> | <u>3,010,466</u> |
| Total liabilities | | <u>3,169,649</u> | <u>3,071,333</u> |
| Total equity and liabilities | | <u><u>11,610,551</u></u> | <u><u>10,891,392</u></u> |

NOTES

1 BASIS OF PREPARATION

The unaudited consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities, which are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

1.1 New standards and amendments adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing on 1 January 2023:

| | |
|---|--|
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of accounting policies |
| Amendments to IAS 8 | Definition of accounting estimates |
| Amendments to IAS 12 | Deferred tax related to assets and liabilities arising from a single transaction |
| IFRS 17 | Insurance contracts |

The amended standards listed above did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future period except amendments to IAS 12.

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- i. right-of-use assets and lease liabilities, and
- ii. decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments as of 31 December 2022 was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

1.2 New standards and amendments to standards not yet adopted

Certain new standards and amendments to standards have been issued but are not yet effective for the year beginning on 1 January 2023 and have not been early adopted by the Group.

| | | Effective for accounting periods beginning on or after |
|----------------------------------|---|---|
| Amendments to IAS 1 | Classification of liabilities as current or non-current | 1 January 2024 |
| Amendments to IAS 1 | Non-current liabilities with covenants | 1 January 2024 |
| Amendments to IFRS 16 | Lease liability in a sale and leaseback | 1 January 2024 |
| Amendments to IAS 7 and IFRS 7 | Supplier finance arrangements | 1 January 2024 |
| Amendments to IAS 21 | Lack of exchangeability | 1 January 2025 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group is in the process of making an assessment of the impact of these new standards and amendments of standards, and has concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have a significant impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 REVENUE

(a) Disaggregation of revenue from contracts with customers

| | Year ended 31 December | |
|--|-------------------------------|-------------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Type of goods or services: | | |
| Online music services | 4,350,913 | 3,698,781 |
| Social entertainment services and others | 3,516,079 | 5,293,440 |
| | <u>7,866,992</u> | <u>8,992,221</u> |
| Timing of revenue recognition: | | |
| A point in time | 3,633,357 | 5,421,795 |
| Over time | 4,233,635 | 3,570,426 |
| Total | <u>7,866,992</u> | <u>8,992,221</u> |

There is no concentration risk as no revenue from a single customer was more than 10% of the Group's total revenue for the years ended 31 December 2023 and 2022.

(b) Segment information

The CODM has been identified as the Board, who reviews the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group as a whole. For the purpose of internal reporting and management's operation review, the CODM considered that the Group's businesses are operated and managed as one single segment and no separate segment information was presented for the years ended 31 December 2023 and 2022.

During the year ended 31 December 2023, the Group principally operated in the PRC and substantial all of its revenue was generated in the PRC. All of its non-current assets were located in the PRC during the years ended 31 December 2023 and 2022.

3 EXPENSES BY NATURE

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Content service costs (Note) | 4,598,724 | 6,711,646 |
| Technology costs | 483,114 | 547,257 |
| Employee benefit expenses | 1,154,001 | 1,203,220 |
| Promotion and advertising expenses | 688,312 | 563,469 |
| Payment channel fees | 417,296 | 313,523 |
| Net impairment losses on financial assets | 3,895 | 2,321 |
| Depreciation of property, plant and equipment | 16,474 | 22,557 |
| Auditors' remuneration | | |
| – Audit services related to the Group | 5,820 | 5,820 |
| – Other audit related services and non-audit services | 980 | 1,077 |
| Legal and professional fees | 13,546 | 13,909 |
| Others | 174,196 | 131,636 |
| | <hr/> | <hr/> |
| Total cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses | 7,556,358 | 9,516,435 |

Note: Content service costs mainly comprise of content licensing fees and revenue sharing fees.

4 OTHER LOSSES, NET

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Net foreign exchange (losses)/gains | (2,043) | 5,003 |
| Fair value gain of financial assets at fair value through profit or loss | – | 330 |
| Impairment loss for investments in associates | – | (11,160) |
| Others <i>(Note)</i> | (50,210) | 3,213 |
| | <u>(52,253)</u> | <u>(2,614)</u> |

Note:

In connection with an investigation initiated by local authority on certain individuals' activities through the use of the online platform operated by the Group, certain of the Group's bank balances of RMB122,975,000 were restricted during the first half of the year. As at 31 December 2023, the restricted bank balances were fully released while RMB50,000,000 (the "Amount") was seized by the local authority as evidence in connection to the aforesaid investigation. Based on the understanding of the nature and development of the investigation, management considers there is no reasonable expectation of recovering the Amount. Therefore, a loss was recognised accordingly.

Based on the legal opinion obtained from the Group's external legal counsel and management's assessment, management is of the view that the Group's relevant business operations are in compliance in all material respects in relation to the relevant applicable laws and regulations in the PRC.

5 INCOME TAX EXPENSE

The income tax expense of the Group is analysed as follows:

| | Year ended 31 December | |
|----------------------------|------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current income tax | | |
| – PRC corporate income tax | 33,497 | 17,015 |
| Deferred income tax | – | – |
| | <u>33,497</u> | <u>17,015</u> |

(a) Cayman Islands

Under the current laws of the Cayman Islands, the Company is not currently subject to tax on income or capital gains.

(b) Hong Kong

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

(c) PRC

Under the Enterprise Income Tax (“EIT”) Law, foreign invested enterprises and domestic enterprises are subject to a unified EIT rate of 25%, except for a subsidiary of the Group in the PRC that was approved as High and New Technology Enterprise (“HNTE”) which enjoys a preferential tax rate of 15% from 2023 onwards and subject to re-approval by the related authorities in every three years.

Under the EIT law, finance income from financial institutions located in mainland China earned by foreign investors is subject to withholding tax of 10%.

6 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share (“EPS”) is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of shares outstanding during the year.

| | Year ended 31 December | |
|--|------------------------|----------------------|
| | 2023 | 2022 |
| Profit/(loss) for the year attributable to equity holders of the Company (in RMB'000) | <u>734,182</u> | <u>(221,494)</u> |
| Weighted average number of shares outstanding | <u>210,413,914</u> | <u>208,985,465</u> |
| Basic earnings/(loss) per share (in RMB) | <u><u>3.49</u></u> | <u><u>(1.06)</u></u> |

(b) Diluted earnings per share

The share options and awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and share awards granted by the Company (collectively forming the denominator for computing the diluted EPS).

| | Year ended 31 December 2023 |
|---|-----------------------------------|
| Profit attributable to equity holders of the Company for the calculation of diluted EPS (in RMB'000) | <u>734,182</u> |
| Weighted average number of ordinary shares in issue | <u>210,413,914</u> |
| Adjustments for share options and share awards | <u>1,405,291</u> |
| Weighted average number of ordinary shares for the calculation of diluted EPS | <u>211,819,205</u> |
| Diluted earnings per share (in RMB) | <u><u>3.47</u></u> |

Diluted loss per share presented is the same as the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive for the year ended 31 December 2022.

7 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended 31 December 2023 and 2022.

8 ACCOUNTS AND BILLS RECEIVABLE

| | As at 31 December | |
|--------------------------|-------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Accounts receivable | 928,942 | 559,462 |
| Less: loss allowance | (6,951) | (3,321) |
| | <hr/> | <hr/> |
| Accounts receivable, net | 921,991 | 556,141 |
| Bills receivable | 1,473 | 2,000 |
| | <hr/> | <hr/> |
| | 923,464 | 558,141 |
| | <hr/> <hr/> | <hr/> <hr/> |

The Group generally allows a credit period of 0 to 180 days to its customers depending on different revenue streams. Aging analysis of accounts receivable based on invoice date is as follows:

| | As at 31 December | |
|----------------|-------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Up to 3 months | 909,174 | 536,744 |
| 3 to 6 months | 440 | 327 |
| Over 6 months | 19,328 | 22,391 |
| | <hr/> | <hr/> |
| | 928,942 | 559,462 |
| | <hr/> <hr/> | <hr/> <hr/> |

The loss allowances for accounts receivable as at 31 December 2023 and 2022 reconcile to the opening loss allowances is as follows:

| | 2023 | 2022 |
|-------------------------------------|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January | 3,321 | 3,228 |
| Net impairment loss during the year | 3,630 | 93 |
| | <hr/> | <hr/> |
| At 31 December | 6,951 | 3,321 |
| | <hr/> <hr/> | <hr/> <hr/> |

9 ACCOUNTS PAYABLE

| | As at 31 December | |
|------------------|-------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Accounts payable | <u>171</u> | <u>211</u> |

Accounts payable are unsecured and are usually paid within 30 days of recognition and denominated in RMB.

As at 31 December 2023 and 2022, the aging of accounts payable are all between 0 – 90 days based on invoice date.

EVENTS AFTER THE REPORTING PERIOD

Mr. Dewei Zheng, a non-executive Director during the Reporting Period, tendered his resignation as a Director to the Board, and his resignation took effect on 15 February 2024. For details, please refer to the Company's announcement dated 2 February 2024.

Save as disclosed in this announcement, there were no significant events that might affect our Group since the end of the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Our Board is committed to achieving high standards of corporate governance that it believes are crucial to our Group's development and safeguard the interests of our shareholders.

Compliance with the Corporate Governance Code

During the year ended 31 December 2023, the Company has adopted and complied with all applicable code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix C1 (formerly Appendix 14) to the Listing Rules except for the deviation as set out below.

Code provision C.2.1 of the Corporate Governance Code recommends, but does not require, that the roles of chairperson and chief executive to be separate and not be performed by the same person. Our Company deviates from this provision as Mr. William Lei Ding performs both the roles of chairman of our Board and the chief executive officer of our Company. Mr. Ding is the founder of NetEase, Inc., our parent company and controlling shareholder, and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Ding has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively. Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of our Board, including the relevant Board committees, and our three independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time-to-time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

Our Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of our Company.

Compliance with the Model Code

Our Company has adopted management securities dealing policies that are on terms no less stringent than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly Appendix 10) to the Listing Rules to regulate all dealings by Directors and relevant insiders in securities of our Company and other matters covered by the Model Code. Specific enquiry has been made to all our Directors and they have confirmed that they have complied with the Model Code during the year ended 31 December 2023. No incident of non-compliance of the Model Code by the relevant employees has been noted by our Company during the year ended 31 December 2023.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's unaudited consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers in the preliminary announcement.

Audit Committee

Our Board has established an audit committee to the Board with written terms of reference in accordance with the Listing Rules. Our audit committee comprises our three independent non-executive Directors, namely, Mr. Ying Kit Caleb Lo, Mr. Xianfeng Gu and Mr. Zhong Xu. Mr. Ying Kit Caleb Lo is the chairman of this committee.

Our audit committee has reviewed our unaudited consolidated financial statements for the year ended 31 December 2023 and has discussed with our auditor, as well as the senior management of our Company, on matters with respect to the accounting policies and practices adopted by our Company and internal control.

Other Board Committees

In addition to our audit committee, our Board has also established a nomination committee and a remuneration committee.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, neither our Company nor any of our subsidiaries purchased, sold or redeemed any of our Company's securities listed on the Stock Exchange.

Use of Proceeds from the Global Offering

Our Company completed a global offering on 2 December 2021. The net proceeds from this global offering amounted to approximately HK\$3,160 million (equivalent to approximately RMB2,584 million), which will be used in the manner set out in our Prospectus. As at 31 December 2023, we had not utilised any net proceeds, which are held as short-term bank deposits. The Company expects to utilise the remaining net proceeds in the next 36 months.

FINAL DIVIDEND

Our Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at <http://ir.music.163.com>. Our annual report for 2023 financial year will be published on the aforesaid websites of the Stock Exchange and our Company and will be despatched to our shareholders in due course.

DEFINITIONS

| | |
|---------------------------------|--|
| “Board” | the board of directors of our Company |
| “China” or the “PRC” | the People’s Republic of China, and for the purpose of this announcement only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Company” | Cloud Music Inc. |
| “Director(s)” | director(s) of our Company |
| “Group” | our Company and its subsidiaries, including consolidated affiliated entities, the financials of which are consolidated into our Company’s accounts |
| “IFRS” | International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “MAUs of online music services” | the monthly average number of users in a given period that have accessed the NetEase Cloud Music application at least once in a given month through mobile devices or PC devices, as the case may be; duplicate access is eliminated from the calculation based on our estimates by user account |

| | |
|---|--|
| “Monthly ARPPU of online music services” | the monthly average of the revenues from membership subscriptions for that period divided by the number of monthly paying users of online music services for that period |
| “Monthly ARPPU of social entertainment services” | the monthly average of the revenues of the social entertainment services for that period divided by the number of monthly paying users of social entertainment services for that period |
| “Monthly paying users of online music services” | the average of the number of user whose membership subscription packages remain active as of the last day of each month in a given period. Monthly paying users of online music services for any given period excludes the number of users who only purchase digital music singles and albums during such period because these users’ purchasing patterns tend to reflect specific hit releases, which fluctuate from period to period |
| “Monthly paying users of social entertainment services” | the average of the number of users who contribute revenues to our social entertainment services for each month in a given period |
| “Prospectus” | our Company’s prospectus dated 23 November 2021, a copy of which is available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at http://ir.music.163.com |
| “Reporting Period” | the year ended 31 December 2023 |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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

Hong Kong, 29 February 2024

As at the date of this announcement, the Board comprises Mr. William Lei Ding, Mr. Yong Li and Ms. Yanfeng Wang as executive Directors, Mr. Yat Keung Li 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.