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**NETEASE CLOUD MUSIC INC.**

**網易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 2024**

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 2024. These unaudited consolidated annual results have been reviewed by our Board’s audit committee together with our management.

	<b>Year ended 31 December</b>		
	<b>2024</b>	<b>2023</b>	<b>Change (%)</b>
	<i>(RMB in thousands, except percentages)</i>		
Revenue	<b>7,950,146</b>	7,866,992	+1.1%
Gross profit	<b>2,681,512</b>	2,102,670	+27.5%
Profit before income tax	<b>1,570,255</b>	767,679	+104.5%
Profit for the year	<b>1,565,369</b>	734,182	+113.2%
Non-IFRS measure: Adjusted net profit <sup>(1)</sup>	<b>1,700,078</b>	818,500	+107.7%

*Note:*

- (1) Adjusted net profit is defined as profit for the year attributable to the equity holders of the Company adjusted by adding back equity-settled share-based payments as appropriate. For details of the reconciliation of the profit for the year attributable to the equity holders of the Company to the adjusted net profit 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 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, as an 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\$1.0799 and US\$0.1391.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

Throughout 2024, we focused intently on strengthening our core music business while nurturing an enduring and vibrant music-centric community. By enriching our premium offerings such as expanding our content library, refining personalised recommendations, introducing innovative features, and fostering a stronger sense of community, we further deepened user engagement. Additionally, the rollout of enhanced membership benefits spurred rapid growth in our subscription-based memberships, further driving robust revenue growth in our core online music business and profitability.

We continued to **engage users across our leading music-inspired community**. Our total monthly active users (MAUs) steadily increased and our DAU/MAU ratio remained above 30%. We further enhanced music discovery and consumption via improved personalised recommendations and comprehensive audio-visual experiences. We broadened interactive scenarios across various user-generated content (UGC) formats to further cultivate our music-centric community, driving increased community content generation, consumption and user interactions. Through these efforts, users became more engaged and spent more time on our mobile app. We also continued to **expand our music consumption scenarios** by partnering with several NetEase games.

Through our rich library of licensed music and original music, **we have built a comprehensive and distinctive content ecosystem**. In 2024, we continually expanded our music content library, emphasising trending music interests among younger generations while maintaining a focus on improving efficiency. Additions from major Korean music labels, including JYP Entertainment, Kakao Entertainment and CJ ENM, continued to round out our library. We remain dedicated to promoting the growth of high-quality Chinese original music. In 2024, we celebrated the 10th anniversary of our independent musician platform. We have continuously enhanced our in-house music. In 2024, several in-house tracks gained popularity, such as “Follow” (《羅生門》).

In 2024, our efforts to **strengthen our music-centric monetisation** accelerated our growth in online music revenue year-over-year. Revenue from subscription-based memberships grew 22.2% year-over-year, fuelled by an increase in our subscriber base, though slightly offset by a dilution in monthly ARPPU (average revenue per paying user). We rolled out premium offerings, including expanded content and cutting-edge features, expanded membership privileges (such as functional tools, social features and dress-up privileges) and joint programs with external partners. Notably, membership retention rates, time spent and activity ratios grew year over year across our rapidly expanding subscriber base.

We **further improved our profitability** in 2024, having benefited from economies of scale from our increased subscriber base, strong monetisation of our core online music business and ongoing cost optimisation initiatives. Our **gross margins** reached 33.7%, up from 26.7% in 2023, and our adjusted net profit surged to RMB1,700.1 million in 2024, more than doubling from RMB818.5 million in 2023.

Looking ahead, our focus will remain on delivering exceptional music experiences, fostering a thriving community, elevating user engagement, and strengthening our operational capabilities. Our strategic vision includes the following key initiatives:

- **Further diversifying and enhancing our differentiated content offerings with greater efficiency:** We plan to deepen our collaboration with copyright holders, boost our independent artist incubation capabilities and elevate our in-house music production competencies, emphasising our strengths in key music genres;
- **Cultivating our dynamic music-driven community ecosystem:** By enriching our offerings with innovative interactive features and expanding opportunities for user communication and connection, we will create more engaging and immersive experiences for our user community;
- **Driving user willingness to pay for and subscribe to premium offerings:** Through enhanced user experiences, deeper engagement, improved membership benefits and expanded consumption scenarios, we will strengthen the appeal of our premium offerings.
- **Optimising profitability through disciplined approach to operations:** We will continue to focus on cost optimisation, operating efficiency and disciplined cost management to achieve sustainable growth.

### **Comprehensive and differentiated content ecosystem**

We actively broadened our content library to offer users a comprehensive and diverse range of licensed and original music. In 2024, we maintained a steady growth of our music library in terms of the number and variety of music tracks. In addition to rounding out top-tier music, we focused on promoting music genres favoured by music lovers on our platform.

### ***Enhancing partnerships with copyright holders***

Throughout the Reporting Period, we remained dedicated to forging expansion of our collaborations with music copyright holders in a cost-effective manner.

- ***Amplifying offerings in signature music genres.*** Music genres such as hip-hop, rock, Japanese ACG and Western music have surged in popularity on our platform. We broadened our content library in those signature genres, including a newly signed strategic partnership with Modern Sky Entertainment. We are also featuring new songs from rappers like KeyNG, VaVa, AIR, Sha Yiting (沙一汀), as well as rock band Penicillin and artist Dou Wei (竇唯). Additionally, we are pursuing copyright collaborations with Western artists, particularly in electronic music, hip-hop, folk and rock genres, including a recent agreement with Galen Grew.
- ***Expansive catalogue of music labels.*** We continued enriching our catalogue of music labels, forming new partnerships with major domestic and international labels and artists. We were pleased to sign copyright agreements with major K-Pop labels, including JYP Entertainment and CJ Entertainment. Additionally, we established a strategic collaboration partnership with Kakao Entertainment. Moreover, we signed a copyright cooperation agreement with Li Jian (李健), authorizing the full release of his classic works including “Legend” (《傳奇》) and “Baikal Lake” (《貝加爾湖畔》).

- ***In-depth collaborations with our copyright partners.*** We worked closely with copyright holders to enhance both content distribution and commercialisation. These efforts drove remarkable digital and physical album sales on our platform.

### ***Strengthening our leading independent artists’ ecosystem***

We are committed to investing in initiatives that aid musicians in music creation, promotion and financial support to help them grow their influence and revenue. As of the end of December 2024, our platform had over 773,500 registered independent artists who contributed approximately 4.4 million music tracks. In 2024, our NetEase Musician platform celebrated its 10th anniversary. To celebrate, we launched a series of activities that showcased musicians’ 10-year journey, fostering growth, belonging and artists’ connection with fans on the platform.

- ***Supporting musicians in content creation.*** Our diverse range of support throughout the creative process helps artists actualise their creative potential, such as our all-in-one AI music creation tool, NetEase Tianyin. We also organised co-working camps to bring together emerging music talents for collaboration. At our recent in-person camp, we hosted top overseas musicians like Marc Dold and Yuto for the first time to conduct masterclasses and offer guidance to aspiring artists.
- ***Exploring and improving the exposure of musicians and their work.*** In 2024, our **region-oriented music promotions** included our renowned City Tour Guide special planning series (城市雲遊指南), for which we released the Northeast Special Edition, and launched a new event in Guizhou and Suzhou. Our Project Cornerstone (石頭計劃) released nine compilation albums featuring fresh talent from diverse regions. To foster talent in our signature music genres, we introduced the Chinese Rap Rookie Award (中文說唱新人賞), focusing on identifying rising rap talent. We released a new project “Rap Map” (說唱地圖) to help users better understand Dialect rap. We also launched the “Nation” (吶•聲) project, featuring a fusion of ethnic and contemporary popular music.
- ***Helping musicians realise commercial value.*** We rolled out the latest phase of our renowned musician support project, “Project Cloud Ladder 2024” (雲梯計劃2024), which further bolsters financial backing for musicians by offering a more attractive financial settlement mechanism and a broader scope of incentives.

### ***Developing and promoting differentiated in-house music***

Drawing on our musical expertise, diverse user base and deep user insights, our in-house studios focused on producing high-quality music content. This approach caters to the diverse preferences of different audiences, particularly for the younger generation who is eager to discover new high-quality music. Multiple tracks developed in-house have gone viral on both our community and external platforms.

In 2024, our in-house studios successfully produced and popularised multiple hit songs. We focused on top music genres, such as hip-hop, and produced multiple popular hip-hop tracks, including “Follow” (《羅生門》), “Hai Shi Hui Xiang Ni” (《還是會想你》), “5:20 AM” (《5: 20 AM》), “Xie Tian Xie Di” (《謝天謝帝》) and “Ren Shang Ren” (《人上人》). Our in-house version of 《Dehors》 has gained significant popularity. The song combines Cantonese and French languages, creating a unique musical fusion that appeals to a wide range of audiences. Other popular new songs include “Blooming Bauhinia” (《紫荊花盛開》) and “Yu Shi” (《於是》), among others.

### ***Diversified audio-based content offerings***

Beyond music tracks, we have been actively broadening long-form audio offerings on our platform. In 2024, we achieved steady growth in long-form audio content consumption, with the average listening time per user of long-form audio on our platform having increased significantly by 35.8% year-over-year.

- ***PUGC/UGC – podcast.*** By focusing on music-inspired content, podcasts provide an enjoyable avenue for fans to discover quality tracks and lesser-known songs. During the Reporting Period, we launched several customised podcast series interpreting different music genres, such as folk and rock.
- ***PGC – audio books & radio dramas.*** We have been expanding our library of PGC long-form audio content in a cost-effective way by creating more popular self-produced content. We introduced Mo Yan’s latest audiobook “Not Blown Down by the Strong Wind” (《不被大風吹倒》) and launched a special project. In this project, Mo Yan addressed young users’ concerns through audio recordings, offering a unique companion experience.

### **Product innovation and community ecosystem**

Throughout 2024, we focused on product innovation and reinvigorating our unique community experience. Since early 2024, we achieved significant results through a comprehensive upgrade to the NetEase Cloud Music App, particularly on emphasising personalised content recommendations and music centric community. Our ongoing efforts elevated the user experience, increased their resonance with our community and boosted music interaction, which led to improved user engagement, such as increased time spent on our mobile app.

### ***Optimising users’ music discovery and listening experience***

We intensified our focus on improving users’ music discovery and consumption experiences by enhancing personalised content recommendations and innovative features that elevate our premium music-inspired audio-visual offerings.

- ***Music content discovery and distribution.*** We continuously strengthened our app’s personalised recommendations functionality, including: 1) enhancing recommendation capabilities by integrating user consumption behaviour across various apps, 2) improving the recommendation function tailored for newer users, and 3) adding new content dimensions for music recommendations, such as playlists based on masterpieces, emotions and genres. These initiatives have increased the efficiency and coverage of content recommendations.

- **Enhancing the music consumption experience.** We are delving into extended music consumption, and adding more audio-visual and scenario-based features. We upgraded Music Encyclopedia and introduced innovative features such as Lyric Books (歌詞本), AI Singing and Lightbulb (小燈泡) for song recommendations. We released a range of new music player interfaces to enhance the audio-visual experience, such as IP-themed players and the popular Vinyl player DIY feature.

### ***Fostering music-inspired community resonance and connections***

In 2024, we focused on the emotional impact of music to strengthen our community's music-inspired attributes. This approach improved community content consumption, interaction and creation, playing a vital role in sustaining and increasing strong user activity and stickiness.

- **Community consumption and interaction.** We further enhanced the visibility of our iconic comments section in various app scenarios, by displaying popular comments on the vinyl player and introducing a new player that showcases selected comments. We also optimised interactive features around our iconic comments section. These efforts boosted emotional connections inspired by music, encouraging more user interactions.
- **Community content generation.** Utilising our platform resources, we hosted community activities to encourage the creation of UGC content, like music comments and others. Additionally, we diversified our community content by exploring the integration of music-inspired graphic and text content formats.

### ***Expanding music consumption and communication scenarios***

- **Expanding collaboration with NetEase.** In 2024, we expanded our collaborations with NetEase games and online education division (specifically Youdao Dictionary). For example, we introduced music-inspired social interaction features in games, enhancing the integrated music and gaming experience for users. These collaborations boosted our brand awareness and recognition among younger users.
- **IoT layouts.** We continued optimising our functionality that lets users easily switch between different terminals like mobile, PC, TV and in-car scenarios, effectively addressing diverse user needs and improving user experience. These efforts help us improve overall user activity and engagement across multiple terminals and scenarios. In 2024, we further expanded in-car coverage to new brands and models such as Xiaomi, Mercedes-Benz, Harmony Intelligent Mobility Alliance, and Changan. Additionally, we formed a long-term strategic partnership with Great Wall Motors.

## **FINANCIAL REVIEW**

### **Overview**

Over the Reporting Period, we recorded a revenue of RMB7,950.1 million and a gross profit of RMB2,681.5 million. Our gross profit significantly increased by RMB578.8 million, primarily due to increased revenues from sales of membership subscriptions and continued improvement in cost control measures. We recorded a net profit of RMB1,565.4 million in 2024, compared with a net profit of RMB734.2 million in 2023.

Excluding the impact of equity-settled share-based payments, our adjusted net profit reached RMB1,700.1 million in 2024, compared with an adjusted net profit of RMB818.5 million in 2023.

### **Revenue**

Our revenue increased by 1.1% from RMB7,867.0 million in 2023 to RMB7,950.1 million in 2024.

Revenue from online music services increased by 23.1% from RMB4,350.9 million in 2023 to RMB5,354.5 million in 2024. In particular, revenue from sales of membership subscriptions increased from RMB3,649.2 million in 2023 to RMB4,459.0 million in 2024, driven by an increase in monthly paying users of online music services with the enhanced product and content offerings of our membership services.

Revenue from social entertainment services and others decreased by 26.2% from RMB3,516.1 million in 2023 to RMB2,595.6 million in 2024. The decline was primarily attributed to a more prudent operational approach for our social entertainment services, along with a focused emphasis on our core music business.

### **Cost of Revenue**

Our cost of revenue decreased by 8.6% from RMB5,764.3 million in 2023 to RMB5,268.6 million in 2024, attributable to a decrease in content service costs from RMB4,598.7 million in 2023 to RMB4,008.9 million in 2024. 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.

### **Gross Profit and Gross Margin**

As a result of the above, our gross profit increased by 27.5% from RMB2,102.7 million in 2023 to RMB2,681.5 million in 2024, due to increased revenues from online music services and continued improvement in cost control measures. Our gross margin increased from 26.7% in 2023 to 33.7% in 2024. A one-off adjustment of certain content licensing fees increased the gross profit margin by approximately 1.3 percentage points in 2024.

### **Selling and Marketing Expenses**

Our selling and marketing expenses decreased by 19.3% from RMB758.2 million in 2023 to RMB611.5 million in 2024, primarily due to a decrease in promotion and advertising expenses with more cautious marketing strategy.



## **General and Administrative Expenses**

Our general and administrative expenses increased by 11.8% from RMB165.1 million in 2023 to RMB184.7 million in 2024, primarily due to an increase in employee benefit expenses.

## **Research and Development Expenses**

Our research and development expenses decreased by 10.2% from RMB868.7 million in 2023 to RMB779.7 million in 2024, primarily due to the improved utilisation of technical resources.

## **Other Income**

Our other income decreased from RMB71.8 million in 2023 to RMB27.9 million in 2024, primarily due to a decrease in value-added tax subsidies and government grants.

## **Other Gains/(Losses), Net**

We recorded other gains, net of RMB37.3 million in 2024 (in 2023: losses of RMB52.3 million). The change from losses to gains was primarily due to a loss recognised in relation to an other receivable in 2023, while gains on fair value changes of financial assets at fair value through profit or loss incurred in 2024.

## **Finance Income, Net**

Our finance income decreased from RMB437.9 million in 2023 to RMB406.2 million in 2024, primarily due to decreased interest income from bank deposits with a decrease of USD fixed deposit rate.

## **Taxation**

We recorded income tax expenses of RMB4.9 million in 2024 as compared to income tax expenses of RMB33.5 million in 2023, primarily due to a decrease in withholding tax of interest income.

## **Profit for the Year**

As a result of the above, we generated a profit of RMB1,565.4 million in 2024, compared with a profit of RMB734.2 million in 2023.

## Adjusted Net Profit

Our adjusted net profit reached RMB1,700.1 million in 2024, compared with adjusted net profit of RMB818.5 million in 2023. Adjusted net profit is a non-IFRS measure and is defined as profit for the year attributable to the equity holders of the Company adjusted by adding back equity-settled share-based payments as appropriate. The following table reconciles the profit for the year to adjusted net profit for both years:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2024</b>	<b>2023</b>
	<i>(in RMB thousands)</i>	
Profit for the year attributable to the equity holders of the Company	<b>1,561,507</b>	734,182
Add:		
Equity-settled share-based payments <sup>Note (1)</sup>	<b>138,571</b>	84,318
Adjusted net profit	<b>1,700,078</b>	818,500

*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 2024, we funded our cash requirements principally from cash generated from operating activities. We had cash and cash equivalents of RMB4.0 billion and RMB3.8 billion as at 31 December 2023 and 2024, respectively.

Our principal uses of cash have been for the 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 2024, our gearing ratio was 25.0% (31 December 2023: 27.3%). 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 2024.

## Material Acquisitions and Disposals

We did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities, associated companies or joint ventures during 2024.

## **Pledge of Assets**

As at 31 December 2024, 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 plans for material investments or capital assets as at 31 December 2024, except the intended use of proceeds as disclosed in the Prospectus.

## **Employee and Remuneration Policy**

As at 31 December 2023 and 2024, we had 1,359 and 1,331 employees, respectively. As at 31 December 2024, 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 2024 was RMB1,215.8 million (2023: RMB1,154.0 million).

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

	Notes	Year ended 31 December	
		2024	2023
		RMB'000	RMB'000
Revenue	2	7,950,146	7,866,992
Cost of revenue	3	<u>(5,268,634)</u>	<u>(5,764,322)</u>
Gross profit		2,681,512	2,102,670
Selling and marketing expenses	3	(611,533)	(758,235)
General and administrative expenses	3	(184,651)	(165,102)
Research and development expenses	3	(779,659)	(868,699)
Other income		27,859	71,799
Other gains/(losses), net	4	<u>37,319</u>	<u>(52,253)</u>
Operating profit		1,170,847	330,180
Share of results of investments accounted for using equity method		(6,544)	(63)
Finance income		406,191	437,879
Finance cost		<u>(239)</u>	<u>(317)</u>
Profit before income tax		1,570,255	767,679
Income tax expense	5	<u>(4,886)</u>	<u>(33,497)</u>
Profit for the year		<u><b>1,565,369</b></u>	<u><b>734,182</b></u>
Profit for the year attributable to:			
Equity holders of the Company		1,561,507	734,182
Non-controlling interest		<u>3,862</u>	<u>—</u>
		<u><b>1,565,369</b></u>	<u><b>734,182</b></u>
Earnings per share attributable to equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	6	7.48	3.49
Diluted earnings per share	6	<u>7.40</u>	<u>3.47</u>

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

	<b>Year ended 31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit for the year	<b>1,565,369</b>	734,182
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Currency translation differences	<b>99,175</b>	105,712
Items that will be reclassified to profit or loss		
Currency translation differences	<b>(1,075)</b>	–
	<hr/>	<hr/>
Total comprehensive income for the year	<b><u>1,663,469</u></b>	<b><u>839,894</u></b>
Total comprehensive income for the year attributable to:		
Equity holders of the Company	<b>1,659,607</b>	839,894
Non-controlling interest	<b>3,862</b>	–
	<hr/>	<hr/>
	<b><u>1,663,469</u></b>	<b><u>839,894</u></b>

**UNAUDITED CONSOLIDATED BALANCE SHEET**  
*AS AT 31 DECEMBER 2024*

		<b>As at 31 December</b>	
	<i>Notes</i>	<b>2024</b>	<b>2023</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>20,080</b>	33,022
Right-of-use assets		<b>6,165</b>	6,313
Investments accounted for using equity method		<b>72,425</b>	78,969
Prepaid contents royalties		<b>107,173</b>	166,054
Prepayments, deposits and other receivables		<b>24,221</b>	3,034
Bank deposits		<b>1,400,000</b>	–
		<b>1,630,064</b>	287,392
<b>Current assets</b>			
Accounts and bills receivable	8	<b>1,054,653</b>	923,464
Prepaid contents royalties		<b>335,144</b>	589,231
Prepayments, deposits and other receivables		<b>305,139</b>	186,056
Amounts due from group companies		<b>32,993</b>	98,315
Financial assets at fair value through profit or loss		<b>6,515</b>	–
Bank deposits		<b>6,420,669</b>	5,484,688
Restricted cash		<b>1,862</b>	21,005
Cash and cash equivalents		<b>3,795,210</b>	4,020,400
		<b>11,952,185</b>	11,323,159
<b>Total assets</b>		<b>13,582,249</b>	11,610,551

		<b>As at 31 December</b>	
	<i>Notes</i>	<b>2024</b>	2023
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Equity</b>			
Equity attributable to equity holders of the Company			
Share capital		139	137
Other reserves		18,708,160	18,532,229
Accumulated losses		<u>(8,530,648)</u>	<u>(10,091,464)</u>
		<b>10,177,651</b>	8,440,902
Non-controlling interest		<u>3,862</u>	–
<b>Total equity</b>		<u><b>10,181,513</b></u>	<u>8,440,902</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contract liabilities		83,889	66,539
Lease liabilities		<u>4,762</u>	<u>3,358</u>
		<u><b>88,651</b></u>	<u>69,897</u>
<b>Current liabilities</b>			
Accounts payable	9	24,015	171
Accruals and other payables		1,976,447	2,015,242
Contract liabilities		1,235,473	1,001,013
Amounts due to group companies		73,702	76,196
Income tax payable		738	4,129
Lease liabilities		<u>1,710</u>	<u>3,001</u>
		<u><b>3,312,085</b></u>	<u>3,099,752</u>
<b>Total liabilities</b>		<u><b>3,400,736</b></u>	<u>3,169,649</u>
<b>Total equity and liabilities</b>		<u><b>13,582,249</b></u>	<u>11,610,551</u>

## NOTES

### 1 BASIS OF PREPARATION

The unaudited consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards 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 Accounting Standards 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 2024:

Amendments to IFRS 16	Lease liability in a sale and leaseback
Amendments to IAS 1	Classification of liabilities as current or non-current and non-current liabilities with covenants
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements

#### 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 2024 and have not been early adopted by the Group.

		<b>Effective for accounting periods beginning on or after</b>
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the classification and measurement of financial instruments	1 January 2026
IFRS 18	Presentation and disclosure in financial statements	1 January 2027
IFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027

The directors have performed assessment on the new standards, and amendments, and has concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements when they become effective, except for IFRS 18 which will impact the presentation of profit and loss. The Group is still in the process of evaluating the impact of adoption of IFRS 18.



## 2 REVENUE AND SEGMENT INFORMATION

### (a) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Type of goods or services:		
Online music services	5,354,517	4,350,913
Social entertainment services and others	2,595,629	3,516,079
	<u>7,950,146</u>	<u>7,866,992</u>
Timing of revenue recognition:		
At a point in time	3,108,034	3,633,357
Over time	4,842,112	4,233,635
<b>Total</b>	<u>7,950,146</u>	<u>7,866,992</u>

### (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 2024 and 2023.

During the year ended 31 December 2024, 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 2024 and 2023.

### (c) Information about major customers

Revenue from an external customer contributed over 10% to the total revenue of the Group for the year ended 31 December 2024 is as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Customer A	<u>797,590</u>	<u>N/A*</u>

\* Less than 10% of the total revenue of the Group in the respective year.

### 3 EXPENSES BY NATURE

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Content service costs (Note)	4,008,896	4,598,724
Technology costs	395,577	483,114
Employee benefit expenses	1,215,752	1,154,001
Promotion and advertising expenses	519,759	688,312
Payment channel fees	485,234	417,296
Net impairment losses on financial assets	4,280	3,895
Depreciation of property, plant and equipment	14,906	16,474
Auditors' remuneration		
– Audit services related to the Group	5,300	5,820
– Other audit related services and non-audit services	980	980
Legal and professional fees	20,063	13,546
Others	173,730	174,196
	<u>6,844,477</u>	<u>7,556,358</u>
Total cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses	<u>6,844,477</u>	<u>7,556,358</u>

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

### 4 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net foreign exchange losses	(2,396)	(2,043)
Gain on fair value change of financial assets at fair value through profit or loss	34,976	–
Others (Note)	4,739	(50,210)
	<u>37,319</u>	<u>(52,253)</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 year ended 31 December 2023. 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.

As at 31 December 2024, there was no further development concerning the Amount and hence management assessment remained unchanged.

## 5 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	4,886	33,497
Deferred income tax	–	–
	<u>4,886</u>	<u>33,497</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 2022 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 PER SHARE

### (a) Basic earnings per share

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

	Year ended 31 December	
	2024	2023
Profit for the year attributable to equity holders of the Company (in RMB'000)	<u>1,561,507</u>	<u>734,182</u>
Weighted average number of shares outstanding	<u>208,846,525</u>	<u>210,413,914</u>
Basic earnings per share (in RMB)	<u>7.48</u>	<u>3.49</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).

	<b>Year ended 31 December</b>	
	<b>2024</b>	<b>2023</b>
Profit attributable to equity holders of the Company for the calculation of diluted EPS (in RMB'000)	<u>1,561,507</u>	<u>734,182</u>
Weighted average number of ordinary shares in issue	<b>208,846,525</b>	210,413,914
Adjustments for share options and share awards	<u>2,204,498</u>	<u>1,405,291</u>
Weighted average number of ordinary shares for the calculation of diluted EPS	<u>211,051,023</u>	<u>211,819,205</u>
Diluted earnings per share (in RMB)	<u><b>7.40</b></u>	<u>3.47</u>

**7 DIVIDENDS**

No dividends have been paid or declared by the Company during each of the years ended 31 December 2024 and 2023.

**8 ACCOUNTS AND BILLS RECEIVABLE**

	<b>As at 31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Accounts receivable	<b>1,061,705</b>	928,942
Less: loss allowance	<u>(7,274)</u>	<u>(6,951)</u>
Accounts receivable, net	<b>1,054,431</b>	921,991
Bills receivable	<u>222</u>	<u>1,473</u>
	<u><b>1,054,653</b></u>	<u>923,464</u>

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:

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Up to 3 months	1,053,927	909,174
3 to 6 months	3,179	440
Over 6 months	4,599	19,328
	<u>1,061,705</u>	<u>928,942</u>

The loss allowances for accounts and bills receivable as at 31 December 2024 and 2023 reconcile to the opening loss allowances is as follows:

	<b>Year ended 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 January	6,951	3,321
Net impairment loss during the year	323	3,630
	<u>7,274</u>	<u>6,951</u>

## 9 ACCOUNTS PAYABLE

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Accounts payable	<u>24,015</u>	<u>171</u>

Accounts payable are unsecured and are usually paid within 30 to 45 days of recognition and denominated in RMB.

As at 31 December 2024 and 2023, the aging of accounts payable are all between 0 – 90 days based on invoice date.

## **EVENTS AFTER THE REPORTING PERIOD**

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 2024, the Company has adopted and complied with all applicable code provisions set out in the Corporate Governance Code except for the deviation as set out below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairperson and chief executive should be separate and should 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, 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 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 2024. 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 2024.

## 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 2024 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 2024 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.

## Change in Composition of Nomination Committee

Our Board announces that Ms. Yanfeng Wang, an executive Director, has been appointed as a member of our nomination committee with effect from 20 February 2025. For shareholders' reference, biographical and other details of Ms. Wang will be set out in the upcoming annual general meeting circular of the Company to be published in due course.

Mr. Ying Kit Caleb Lo, Mr. Xianfeng Gu and Mr. Zhong Xu remain as the other members of our nomination committee.

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

During the Reporting Period, the Company repurchased a total of 331,550 shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$30,663,242. Particulars of the shares repurchased are as follows:

Month of repurchase	Number of shares repurchased	Highest repurchase price per share (HK\$)	Lowest repurchase price per share (HK\$)	Aggregate consideration (approximately) (HK\$)
September 2024	331,550	98.60	88.25	30,663,242

All of the shares repurchased during the Reporting Period are held as treasury shares. Accordingly, as at 31 December 2024, the Company held 331,550 treasury shares.

Save as disclosed above, during the Reporting Period, neither our Company nor any of our subsidiaries purchased, sold or redeemed any of our Company's securities (including sale of treasury shares) 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 2024, 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 24 months.

### **FINAL DIVIDEND**

Our Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

### **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](http://www.hkexnews.hk) and the website of our Company at <http://ir.music.163.com>. Our annual report for 2024 financial year will be published on the aforesaid websites of the Stock Exchange and our Company and will be despatched to our shareholders (if requested) in due course.

### **DEFINITIONS**

<b>“Board”</b>	the board of directors of our Company
<b>“China” or the “PRC”</b>	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
<b>“Company”</b>	NetEase Cloud Music Inc., the shares of which are listed on the Main Board of the Stock Exchange under the stock code “9899”
<b>“Corporate Governance Code”</b>	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
<b>“Director(s)”</b>	director(s) of our Company
<b>“Group”</b>	our Company and its subsidiaries, including consolidated affiliated entities, the financials of which are consolidated into our Company's accounts



“IFRS”	IFRS Accounting 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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Monthly paying users of online music services”	the average of the number of users 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
“NetEase”	NetEase, Inc., an exempted company incorporated in the Cayman Islands with limited liability on 6 July 1999 (Nasdaq: NTES; SEHK: 9999) and considered our controlling shareholder under the Listing Rules
“Prospectus”	our Company’s prospectus dated 23 November 2021, a copy of which is available on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and the website of our Company at <a href="http://ir.music.163.com">http://ir.music.163.com</a>
“Reporting Period”	the year ended 31 December 2024
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“treasury shares”	has the meaning ascribed to it under the Listing Rules

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

Hong Kong, 20 February 2025

*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 as non-executive Director, and Mr. Ying Kit Caleb Lo, Mr. Xianfeng Gu and Mr. Zhong Xu as independent non-executive Directors.*