

What's Hot Today:

► NetEase Cloud Music (9899 HK, HK\$156.60, HK\$34.03bn) - Growth Slows on Intensifying Competition

NetEase Cloud Music, a leading online music platform in China, posted 2H25 total net revenue of RMB3.9bn (+1% YoY; 3% HoH), falling short of market consensus.

Fig 1: YoY and HoH Comparison (RMB mn)

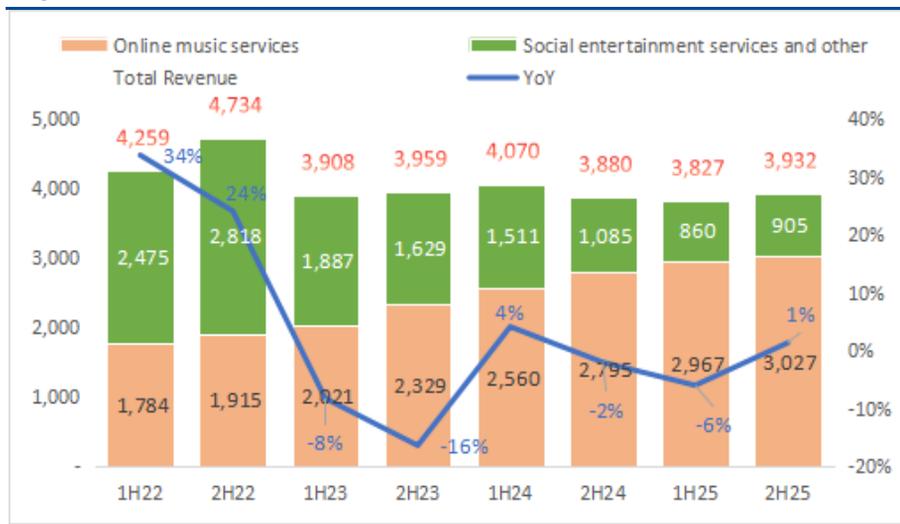
	2H24		1H25		2H25		YoY	HoH
	RMB mn	% of Rev	RMB mn	% of Rev	RMB mn	% of Rev		
Online music services	2,795	72%	2,967	78%	3,027	77%	+8%	+
Social entertainment services and other	1,085	28%	860	22%	905	23%	-17%	+
Total Revenue	3,880		3,827		3,932		+1%	+
COGS	2,624		2,435		2,555			
Gross Profit	1,256	32%	1,392	36%	1,377	35%	+10%	-
S&M Expenses	242	6%	163	4%	245	6%	+1%	+E
G&A Expenses	95	2%	93	2%	84	2%	-12%	-I
R&D Expenses	384	10%	379	10%	383	10%	+8%	+
Core Operating Profit	535	14%	757	20%	665	17%	+24%	-I
Net income to parent	752	19%	1,885	49%	863	22%	+15%	-E

Source: Company Data, Sunwah Kingsway Research

Online Music Services: Revenue in 2H25 reached RMB3.03bn (+8% YoY; +2% HoH), accounting for a stable 77% of total revenue. The growth was primarily driven by the continuous growth in membership subscription, totaling RMB 2.58bn (+12% YoY) and accounted for 85% of the segment's total revenue. Although online music subscribers grew by over 10% YoY, ARPPU declined by LSD% YoY due to market competition, which dampened the segment's overall growth.

Social Entertainment Services and Other: Revenue stood at RMB905mn (-17% YoY; +5% HoH), the decline is attributable to a resource reallocation to cultivate a more sustainable growth for its core music business.

Fig 2: Total Revenue (RMB mn)



Source: Company Data, Sunwah Kingsway Research

Healthy GPM Expansion: GPM improved to 35% in 2H25 from 33% in the last corresponding period, mainly driven by lower revenue-sharing expenses which were partially offset by higher content licensing costs.

China & HK Indices	CLOSE	1D	YTD
HSI	26,413	-1.1%	3.1%
HSCEI	8,959	-1.2%	0.6%
HSCCI	4,384	0.1%	9.2%
CSI300	4,660	-1.3%	0.7%
Shanghai A	4,280	-1.3%	5.3%
Shanghai B	267	-0.1%	5.3%
Shenzhen A	2,804	-1.1%	5.9%
Shenzhen B	1,250	0.0%	-1.1%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	49,625	0.5%	3.3%
S&P500	6,909	0.7%	0.9%
Nasdaq	22,886	0.9%	-1.5%
NIKKEI Index	56,825	-1.1%	12.9%
FTSE Index	10,686	0.6%	7.6%
CAC Index	8,515	1.4%	4.5%
DAX Index	25,260	0.9%	3.1%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	5,107	2.2%	19.0%
STEEL (US\$/oz.)	3,022	1.0%	18.8%
SILVER (US\$/oz.)	84	7.8%	20.2%
CRUDE OIL (US\$/bbl)	66	0.1%	14.6%
COPPER (US\$/oz.)	12,964	0.4%	4.4%
ALUMINIUM (US\$/oz.)	3,102	0.4%	3.6%
PLATINUM (US\$/oz.)	2,158	3.7%	5.5%
ZINC (US\$/oz.)	3,382	0.9%	8.5%
WHEAT (US\$/bu)	573	4.8%	13.1%
CORN (US\$/bu)	439	0.7%	-1.9%
SUGAR (US\$/lb)	74	3.5%	
SOYBEAN (US\$/bu)	1,153	0.4%	8.7%
PVC (US\$/t)	#VALUE!	#VALUE!	9.2%
CRB	311	1.0%	3.0%
BDI		-1.0%	8.8%

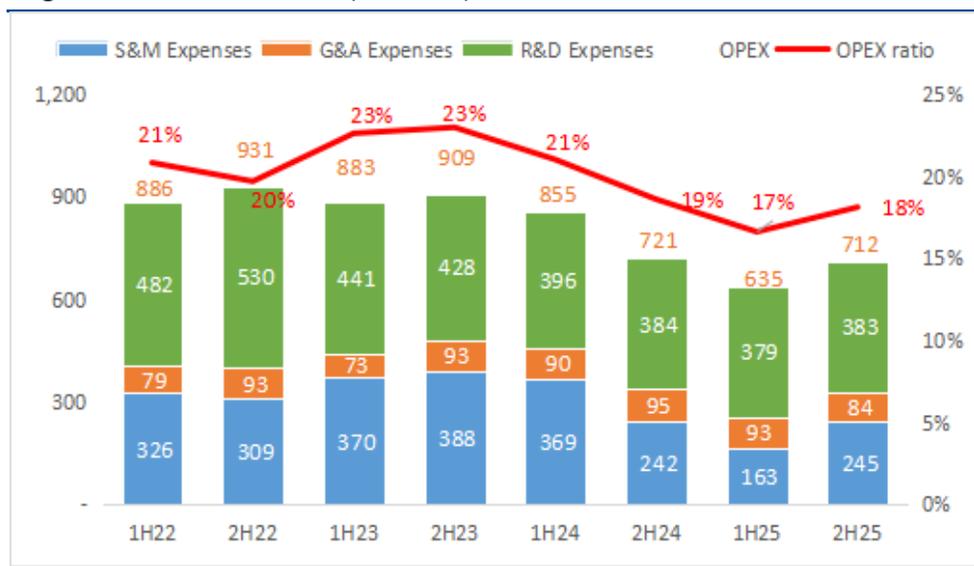
Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.815	0.849	155.050	0.776	6.905
HKD	0.128		0.109	19.845	9.928	0.884
EUR	1.178	9.208		182.680	1.094	8.141
JPY	0.006	5.039	0.547		0.500	0.045
CHF	1.289	10.074	1.094	200.007		8.893
RMB	0.145	1.132	0.123	22.428	0.112	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	19	-8.3%

Source: Bloomberg

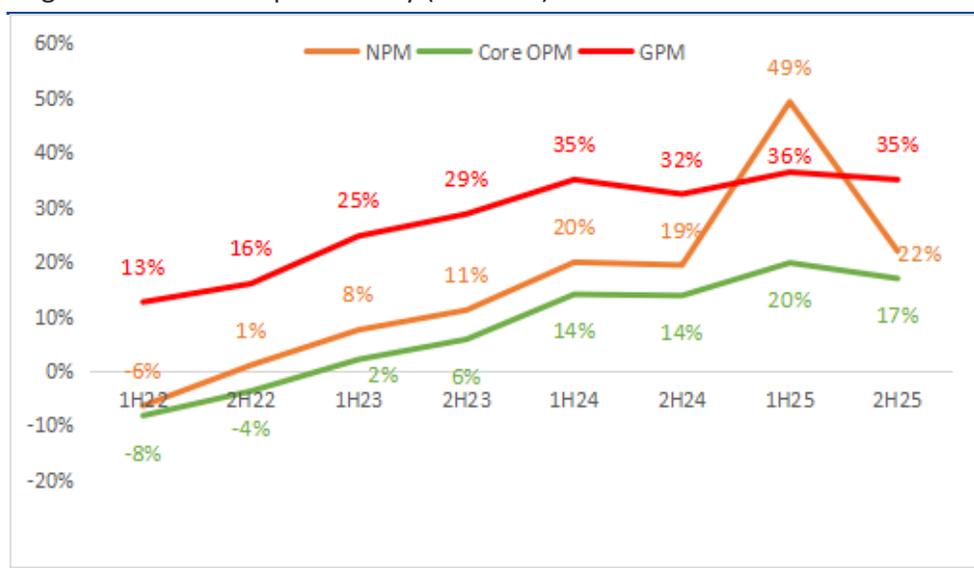
Less Marketing Boosts Profitability: Core operating profit grew 24% YoY to RMB665mn in 2H25, lifting core OPM to 17% in 2H25 from 14% during the last corresponding period. The improvement was due to more cost-effective sales and marketing with improved returns on promotional spending, leading to lower advertising and promotional expenses. Meanwhile, attributable profit rose 15% YoY to RMB863mn, resulting in NPM of 22% compared to 19% last year.

Fig 3: Breakdown of OPEX (RMB mn)



Source: Company Data, Sunwah Kingsway Research

Fig 4: Breakdown of profitability (RMB mn)



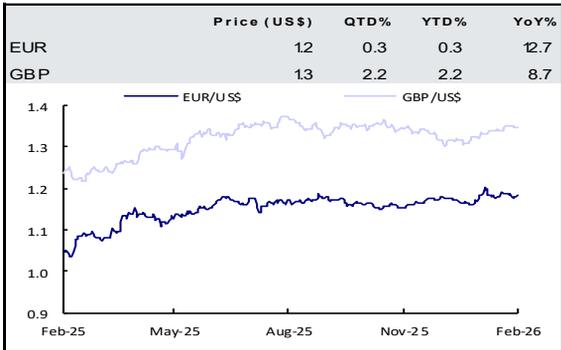
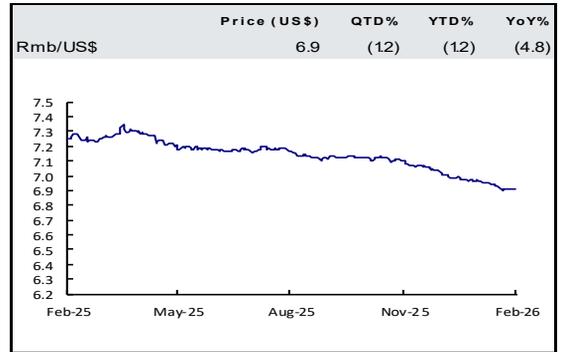
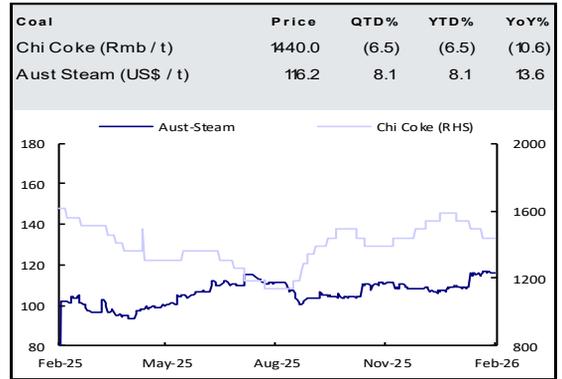
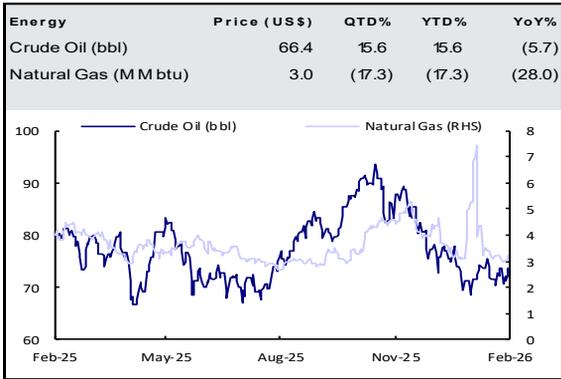
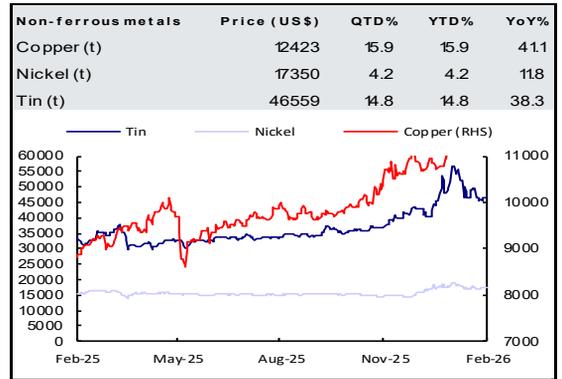
Source: Company Data, Sunwah Kingsway Research

Management Outlook: The Company is actively deploying AI investment to improve operational efficiency and recommendation algorithms. It has launched the Tianyin AI platform last December, to enable a large number of users to generate high-quality content. The Company also emphasizes shareholder returns. With RMB13bn of cash on hand, it plans to conduct share buybacks at an appropriate time to enhance shareholder value. For 2026, the Company expects both membership volume and value to improve, driven by optimizing channel structures and targeted marketing. In terms of pricing, it plans to reduce discounts rather than direct price increases.

Our view: NetEase Cloud Music remains differentiated as a community-led platform with a solid indie-artist ecosystem. In 2025, DAU/MAU stayed above 30% and improved from last year, while average daily mobile listening time increased, pointing to stronger engagement. The Company continued to scale its end-to-end indie support model. By the end of 2025, an estimated over 1mn indie musicians had uploaded over 5.6mn tracks, supported by campus initiatives and brand/show/game collaborations. It also expanded licensed content, adding K-pop labels (RBW, StarShip, Shofar Music) and popular Mandopop tracks from artists such as Li Jian, Lay Zhang, Chen Chusheng, Jackson Yee, Liu Yuxin, and Miriam Yeung.

The recent share price pullback appears to be reflecting the competition coming from Soda Music, which has grown quickly on Douyin traffic and trends. While Soda is more hit-driven with efficient distribution, it lacks the audience for deeper listening habits beyond trending tracks and community retention compared to NetEase Cloud Music. Near-term competition is expected to be fierce, but the platform's community mindshare and indie ecosystem should continue to anchor a relatively stable core user base over time. The company is trading at 14x FY2026E P/E. (Research Department)

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Durable Goods Orders	MoM		23-Feb-26
Factory Orders	MoM		23-Feb-26
Wholesale Inventories	MoM		24-Feb-26
Consumer Confidence	MoM		24-Feb-26
Initial Jobless Claims	WoW		26-Feb-26
PPI	MoM		27-Feb-26
ISM Manufacturing PMI	MoM		2-Mar-26
Retail Sales	MoM		2-Mar-26
Business Inventories	MoM		2-Mar-26
Employment Report	MoM		6-Mar-26
Trade Balance	MoM		9-Mar-26
Housing Starts / Building Permits	MoM		9-Mar-26
Existing Home Sales	MoM		10-Mar-26
CPI	MoM		11-Mar-26
Personal Income & Spending	MoM		13-Mar-26
GDP	QoQ		13-Mar-26
Industrial Production	MoM		16-Mar-26
New home Sales	MoM		20-Mar-26
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		4-Mar-26
Foreign Exchange Reserves	QoQ		7-Mar-26
Money Supply - M2	MoM		9-Mar-26
PPI	MoM		9-Mar-26
CPI	MoM		9-Mar-26
Trade Balance	MoM		14-Apr-26
Retail Sales	MoM		16-Apr-26
Industrial Production	MoM		16-Apr-26
GDP	YoY		16-Apr-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
CPI	MoM		25-Feb-26
GDP	QoQ		25-Feb-26
Trade Balance	MoM		27-Feb-26
Money Supply - M2	MoM		27-Feb-26
Retail Sales	MoM		4-Mar-26
PMI	MoM		4-Mar-26
Foreign Currency Reserve	MoM		6-Mar-26
Producer Prices Index	QoQ		13-Mar-26
Industrial Production	QoQ		13-Mar-26
Unemployment Rate	MoM		18-Mar-26
Composite Interest Rate	MoM		

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