



## **NetEase Profile**

**November 2000**



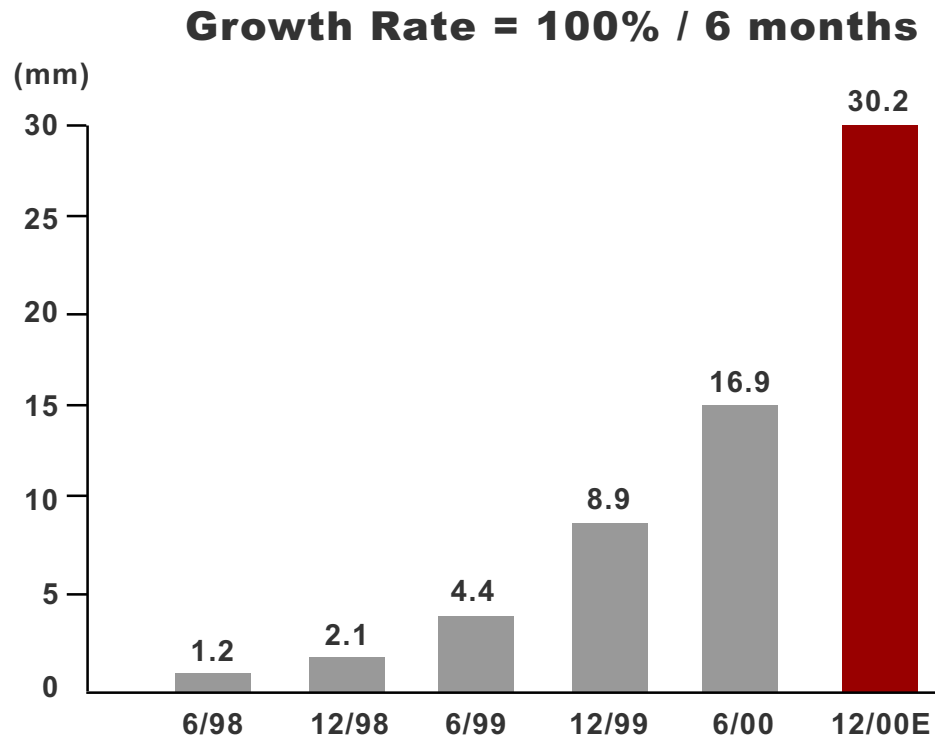
## **Business Highlights**

- 1. Today's Internet Market in China**
- 2. First Mover with the No. 1 Brand in China**
- 3. Strategic Alliances**
- 4. Financial Highlights**
- 5. Future Internet Market Opportunity in China**
- 6. Management Team**
- 7. "Power to the People" Advertising Campaign**



## Exponential User Growth

### Internet User Growth Over the Past 2 Years



Source: 6/98 – 6/00, CNNIC  
12/00E, NetEase's estimates



## **China's Internet User Profile**

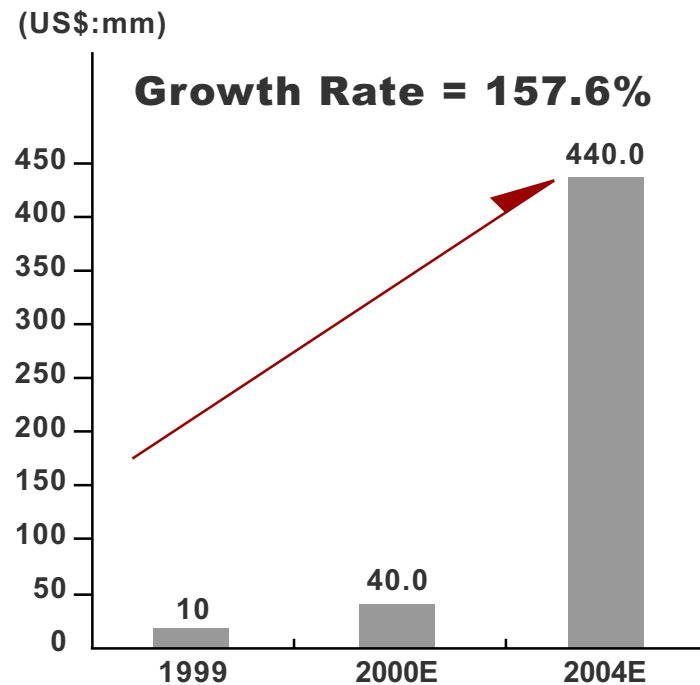
- Young adults make up the largest segment of China Internet users; 68% are under the age of 30.
- Urban Internet penetration rate for China was 9.6% at the end of June 2000, based on an urban population of 166.6 million in 668 cities.
- 69% of those using the Internet received college education or higher degree. Internet usage also appears to be gradually spreading to senior high-school graduates and individuals in technical/training schools.
- Home is the most popular location for Internet access in China, where 46% of Internet users go online; 41% from work; 13% from school.
- Women account for 38% of the total Internet population.



## **China's Internet User Profile**

- **The average monthly household income of Internet users is 74% higher than non-users at nearly 3,200 RMB (US\$386) compared to an average household income of slightly more than 1,840 RMB (US\$222) per month.**
- **5% of Chinese Internet users have purchased online. E-commerce in China is led by Internet users in Beijing and Shanghai, where 8% and 7% of all Internet users have made a purchase online.**
- **E-commerce purchasers are more likely to be male (67%), under 30 (74%) with higher income (over RMB 4,000 per household per month). They are also well-educated (over 70% have some college education).**
- **62% of Internet users have a debit card versus 32% for non-users.**

## China's Online Advertising



- Huge Market Potential
- Both absolute dollar amount as well as percentage relative to total advertising market will grow rapidly over the next few years
- Focus will shift to online marketing solutions as well as integration of online and offline marketing programs
- Ad agencies will be more familiar with internet, just as they are familiar with offline media

Sources: 1999 and 2000E, NetEase  
2004E, Forester Research

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## First Mover Advantages

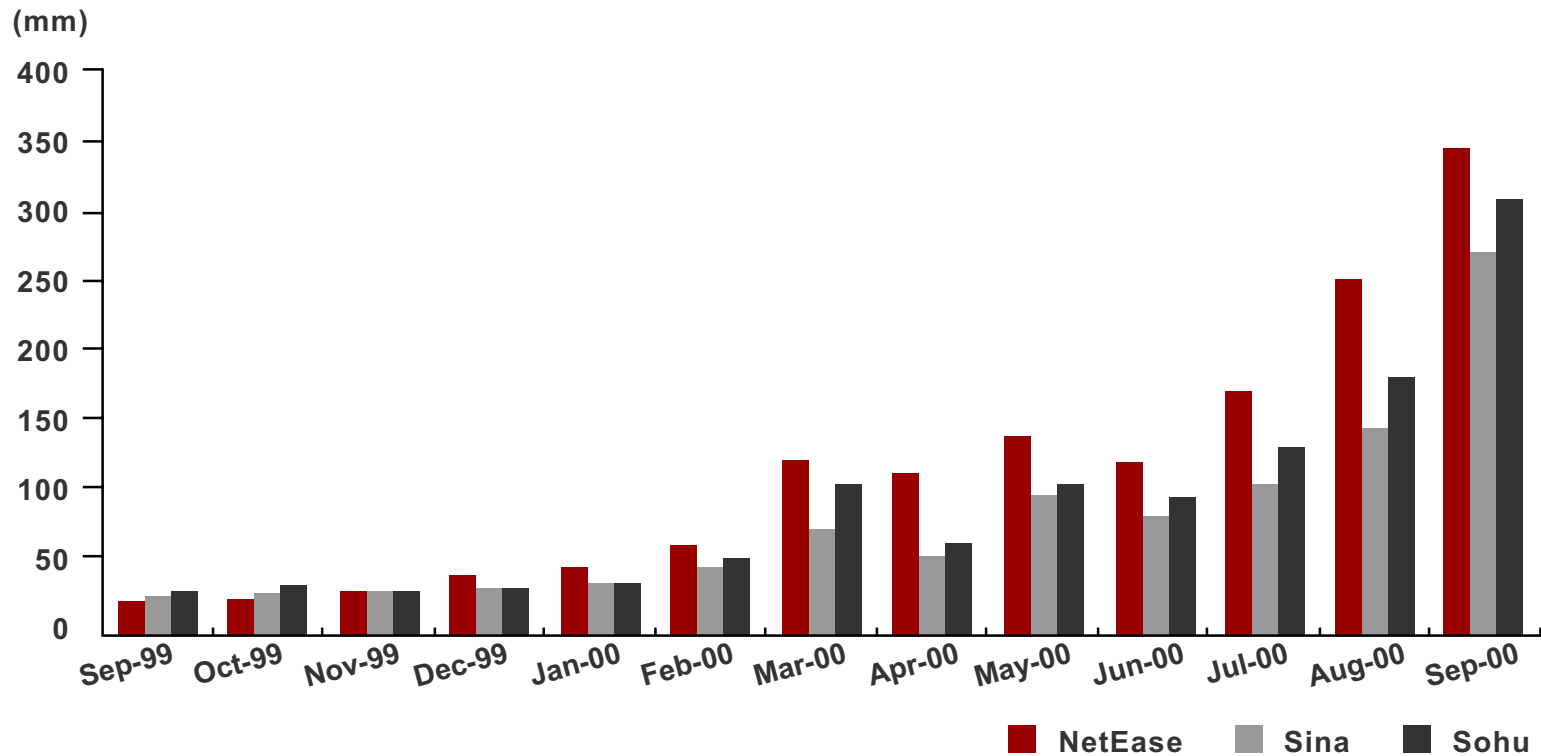
We are the first to offer

- Free newsletters and personal web hosting (May '97)
- Free email service (Jan '98)
- Virtual community service (Dec '98)
- Online auction service (July '99)
- Personalization service (Aug '99)
- Full auction platform (Nov '99)
- Easebar – a free browser tool (Jan '00)
- Chinese Odigo; exclusive in PRC (May'00)
- Google search technology (Sep'00)



## No.1 Brand in China

### Portal Traffic in China — by Alexa.com



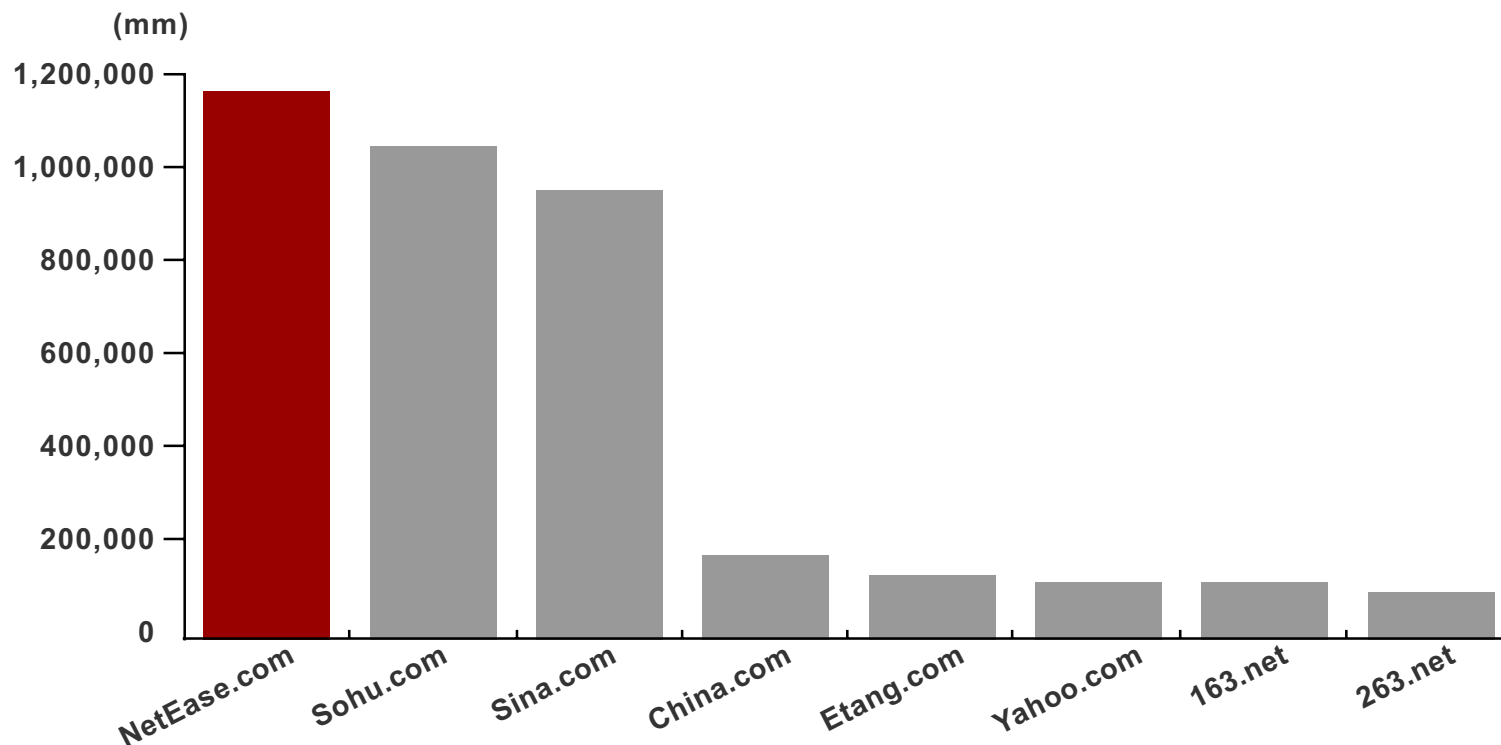
\* Sohu: Combined with ChinaRen in Sept.  
Source: Alexa.com, Netease.com



## No.1 Brand in China

### Portal Traffic in China — by Iamasia

\*NetEase.com include 163.com, yeah.net and 126.com  
Sohu.com includes ChinaRen.com



Source: Iamasia Sept. Report

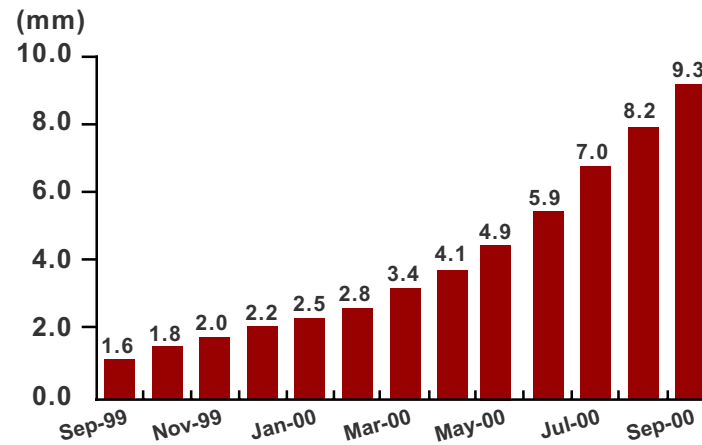
## No.1 Brand in China

Rank	Web Site	September		August	
		Reach(%)	Unique User('000)	Reach(%)	Unique User('000)
1	163.com	70.3%	4,895	50.7%	3,406
2	sina.com.cn	59.4%	4,133	43.2%	2,904
3	sohu.com	58.0%	4,039	42.3%	2,840
4	chinaren.com	39.7%	2,766	25.1%	1,687
5	microsoft.com	38.5%	2,683	18.1%	1,218
6	yeah.net	38.2%	2,662	27.2%	1,828
7	yahoo.com	32.2%	2,242	23.6%	1,586
8	163.net	28.9%	2,011	22.3%	1,499
9	china.com	28.7%	1,995	20.9%	1,404
10	etang.com	27.6%	1,922	15.8%	1,058

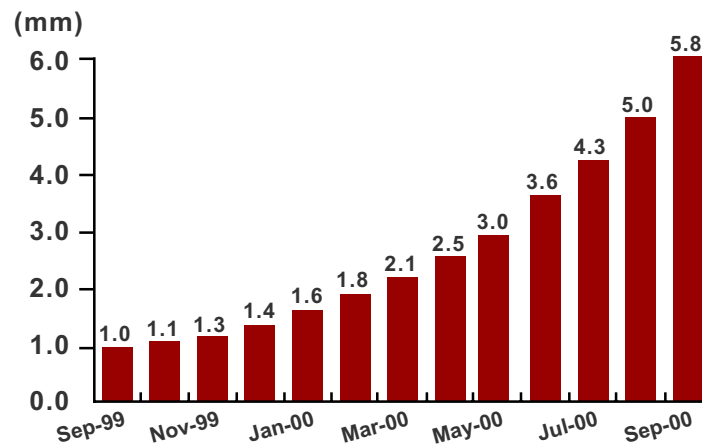
Source: Iamasia Report

## Rapid Growth in Our User Base

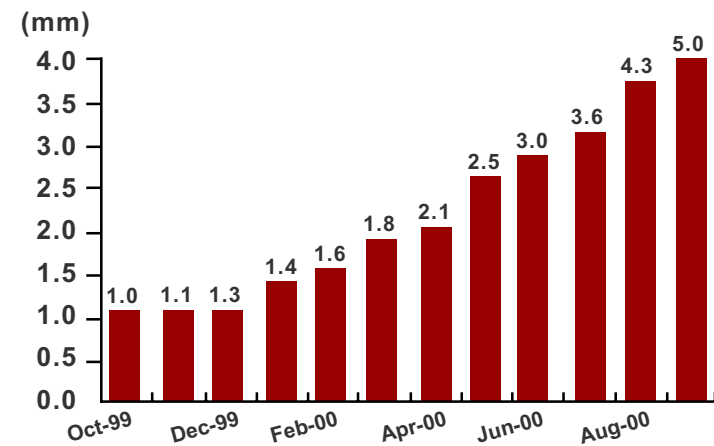
Registered Users



E-mail accounts



E-magazine Subscriptions



## Extensive and Proprietary Content

18 content channels



## Strong Community Base

Over 2.3 million  
registered  
community  
members



Over 43,600  
personal  
community  
forums



Chat room with  
over 45,000  
participants  
during peak hours

Over 5.8 million  
e-mail accounts



Over 510,000  
personal  
homepages



29 e-magazines  
with over 3.98  
million  
subscriptions



## Enabling-Commerce Platform - Auction & Storefront

First to launch online auction  
service in China

Over 102,000  
registered  
users

Individual  
storefronts  
(launched at  
end of  
June, 2000)

Over 44,000  
products





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## Existing Strategic Alliances

### Media



### Wireless



### E-commerce



### Auction



### Broadband





## Newly Established Strategic Alliances

Technology



E-commerce



Auction



E-mapping



Instant Messaging



## Powerful Search Technology



- Access to more than 24 million Chinese language web sites and over 1 billion web documents
- Unprecedented level of ease, speed, and relevancy
- Open directory
- Text matching and patent-pending technology



## Strategic Alliance with EachNet



- Jointly launch Co-branded Auction Website [eachnet.163.com](http://eachnet.163.com)
- Appoint Eachnet as premier auction partner providing auction products and services
- Jointly identify potential clients by bundling each other's products and services
- Realize synergy by co-branding and user information and revenue sharing

## Next Generation Communication Tool



### Key Features

- Real-time people finder anywhere in the world
- Cross-site communication
- Voice over Internet
- Real-time communications between mobile and Internet users



## **Business Highlights**

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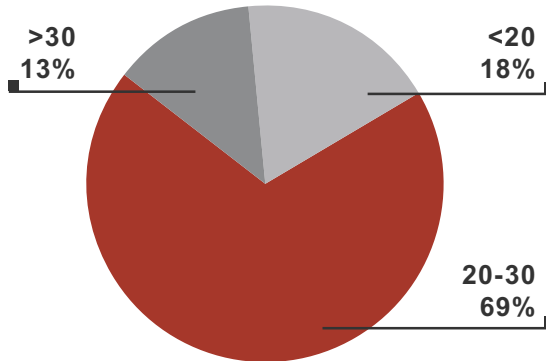
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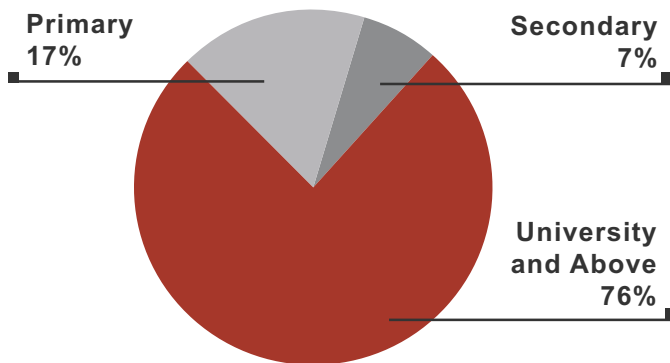
## Valuable User Demographics

### Valuable Demographics for Advertisers and E-commerce Vendors

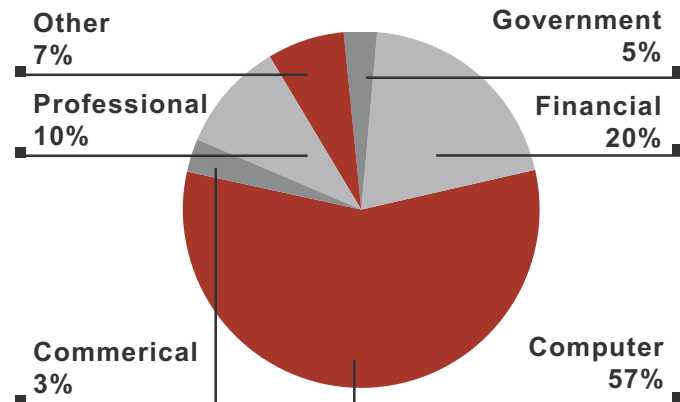
#### Age



#### Education



#### Occupation





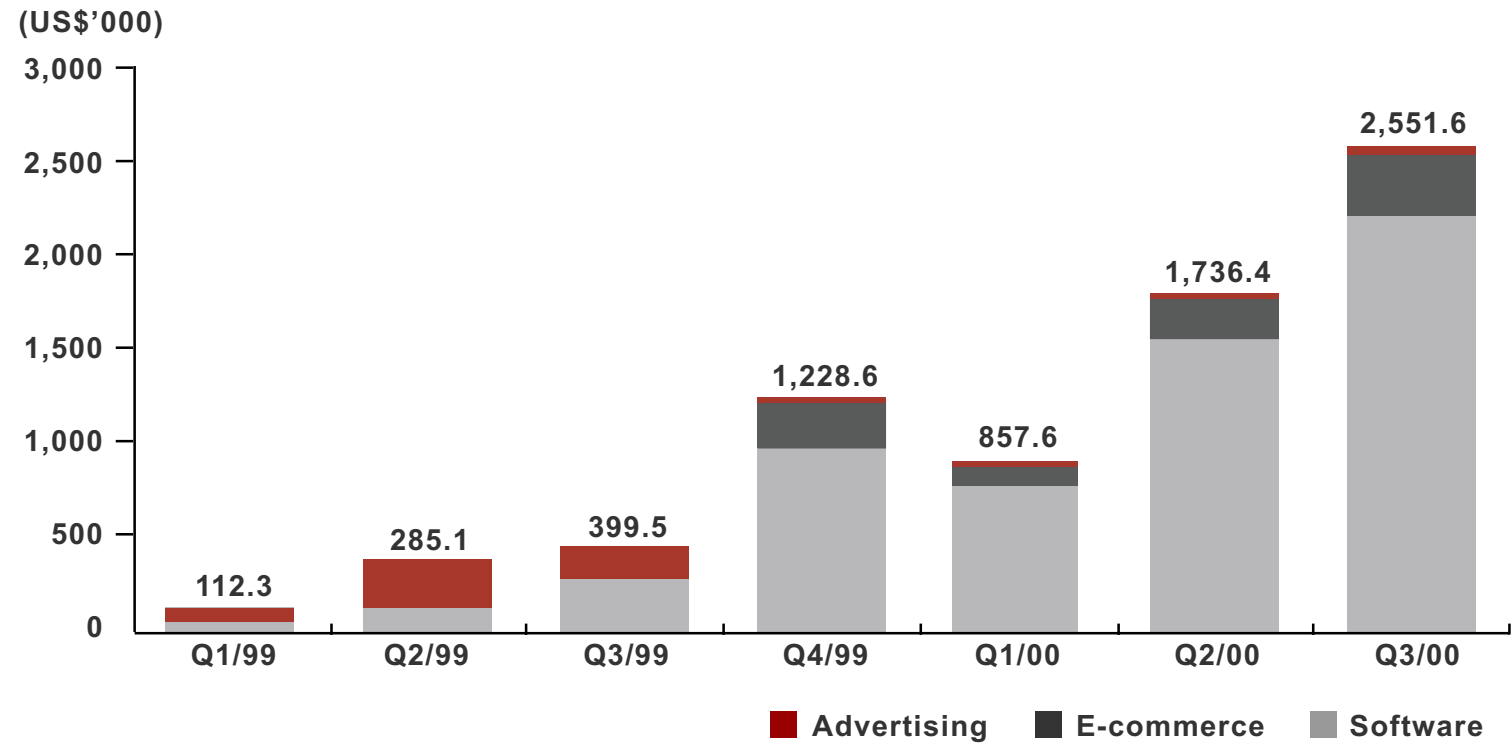
## Destination for Leading Domestic and International Advertisers







## Strong Revenue Growth





## **Operating Margin**

	Q1 2000*	Q2 2000*	Q3 2000*	Q4E 2000*
<b>Gross Margin</b>	<b>24%</b>	<b>24%</b>	<b>38.7%</b>	<b>48%</b>
<b>Operating Margin</b>	<b>(285%)</b>	<b>(192%)</b>	<b>(237%)</b>	<b>(185%)</b>



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## **Themes for China**

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- Consolidation versus Fragmentation
- Deregulation and Competition
- Transparency
- Equalization
- 500 million people on-line



## **Where do the opportunities lie?**

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- **Convergence/Integration**
- **Relevant Cross Platform Access**
- **Personalized Applications**
- **Power shift to content creation**
- **Human Contact for Pure Entertainment**



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## **Experienced Management Team**

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### **William Ding - Founder, Chairman, Co-CTO**

- Work experience with Sybase (China) and China Telecom

### **King Lai - CEO**

- CEO, Saatchi & Saatchi, mainland China, Taiwan (92 - 99)
- 19 years strong international marketing and management experience

### **Helen He - CFO**

- More than 5 years of investment banking experience at Bear Stearns, Chartered Financial Analyst

### **Susan Chen - COO**

- Over 15 years of operations experience at FarEasTone, American Express, Johnson & Johnson

### **Jack Xu - Co-CTO**

- Four years of technology experience with Excite@Home



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## Outstanding Television Advertising Campaign





## Power to the People



- “The Internet brings people together through sharing, exchanging of information, mutual support and collaboration.”
- Our campaign will help empower the people of China with all the Internet is able to offer. This is how NetEase will deliver Power to the People.