

网聚人的力量

NetEase.com

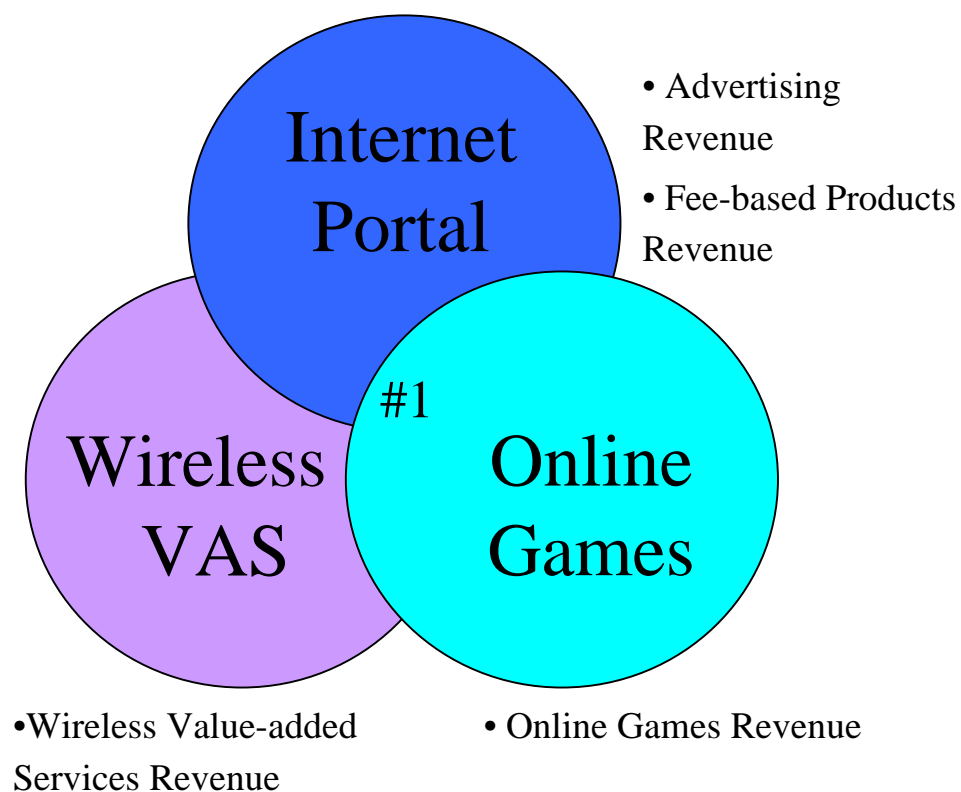
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# 1. Company Overview

# China's Premier Internet Company

- Strong brand equity and wide customer reach
- Valuable user demographics: they are younger and with demonstrated spending power
- Three business areas
  - Internet Portal
  - Wireless Value-Added Service
  - Online Games

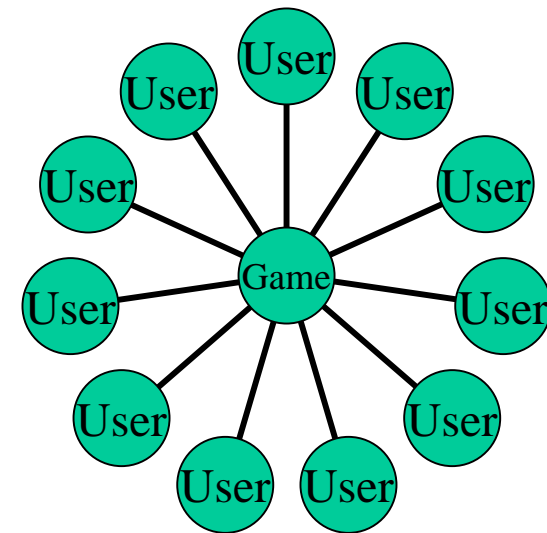


# Online Games Business



# Massively Multi-player Online Games

- NetEase develops and operates Massively Multi-player Online Role Playing Games (MMORPGs)
  - Westward Journey Online v2.0
  - Fantasy Westward Journey
  - PristonTale v2.0
- MMORPGs are played over the Internet in "virtual worlds" that exist on game servers with THOUSANDS of simultaneous players



## NetEase Pre-Paid Points

- NetEase charges users for hourly usage thru pre-paid pointcards (fees range from RMB 0.40 to RMB 0.50 per hour)
- Pointcards distributed through a wide network of wholesalers and large retailers (i.e., 7-eleven in Guangzhou)
- Cards can also be used on a full range of NetEase products and services
- Unique pointcard users during March 2004 of over 2,600,000





## Westward Journey Online 2.0

- Developed in-house, Westward Journey, is a wu-shu fantasy genre MMORPG based on the well-known Chinese Monkey King mythology



大话西游  
ONLINE

ONLINE  
大话西游 2.0



# Fantasy Westward Journey

- Fantasy Westward Journey, also developed in-house, is a new game based on the same Westward Journey mythology, launched at the end of 2003 and turned commercial in mid-January 2004
- Its graphics are cartoon-like and its game-plays are easier to understand, targeting a younger generation of players



## Competitive Strengths

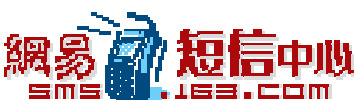
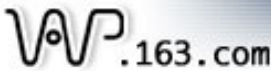

- Proven In-house Game Development Capability
  - Continuous addition of new content
  - Tailor made story that suits Chinese Culture
  - Dedicated team to counteract hacking and cheating
- Large Internet Audience of Portal
  - Over 190 million registered users
  - Young demographics
- Strong Brand Name
  - providing quality game with strong community
  - Quick in counteracting cheating and hacking
  - Quality 24/7 customer service.
- Huge distribution network
  - Over 100,000 points of sales for prepaid cards
  - Esales and Gamesale system

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# Wireless Business

## SMS, MMS, WAP and IVRS Products and Services

- A wide variety of different SMS, MMS, WAP and IVRS products and subscription packages
- Focusing on developing higher-end sophisticated wireless products and services to leverage the community and email strength of the Portal

			
   			
Internet-related	News & Information Subscription	Entertainment & Community	Media / Multi-media
<ul style="list-style-type: none"> <li>- Instant Messaging</li> <li>- E-mail notification</li> <li>- E-card notification</li> </ul>	<ul style="list-style-type: none"> <li>- Current News</li> <li>- Financial News</li> <li>- Sports News</li> <li>- Entertainment News</li> <li>- Weather Forecast</li> <li>- Joke</li> <li>- Event Schedules</li> <li>- Career Market News</li> <li>- TV Guide, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- City-Love Matchmaking</li> <li>- Sassy Girlfriend</li> <li>- Virtual Apartment</li> <li>- Games &amp; Quizzes</li> <li>- Love letter sending</li> <li>- Educational products</li> <li>- Secret Admirer</li> <li>- Wireless Pet</li> </ul>	<ul style="list-style-type: none"> <li>- Ring tones</li> <li>- Logos</li> <li>- Screensavers</li> <li>- Photo Album</li> <li>- Greeting Cards</li> <li>- Wall paper</li> <li>- Still pictures</li> <li>- Animation</li> <li>- Polyphonic ring tones</li> </ul>

## Featured Product: City-Love Match Making



- **City-Love Match Making**  
(<http://mm.163.com>): Wireless-based matchmaking service helping users to easily find new friends and keep in touch

- **Services:**

- Register a user profile with hobbies and interests
- Upload photo / view photo
- Search profile online to find friends with same hobbies or interests
- Post personal ads
- Join existing clubs and form new clubs
- Mobile phone chatting with friends (w/o revealing mobile number)
- Send “emotes” from handset
- Privacy features (i.e. Blocking)

- **Fees:**

- Cover-charge fee of 5-10 RMB/month





## Competitive Strengths

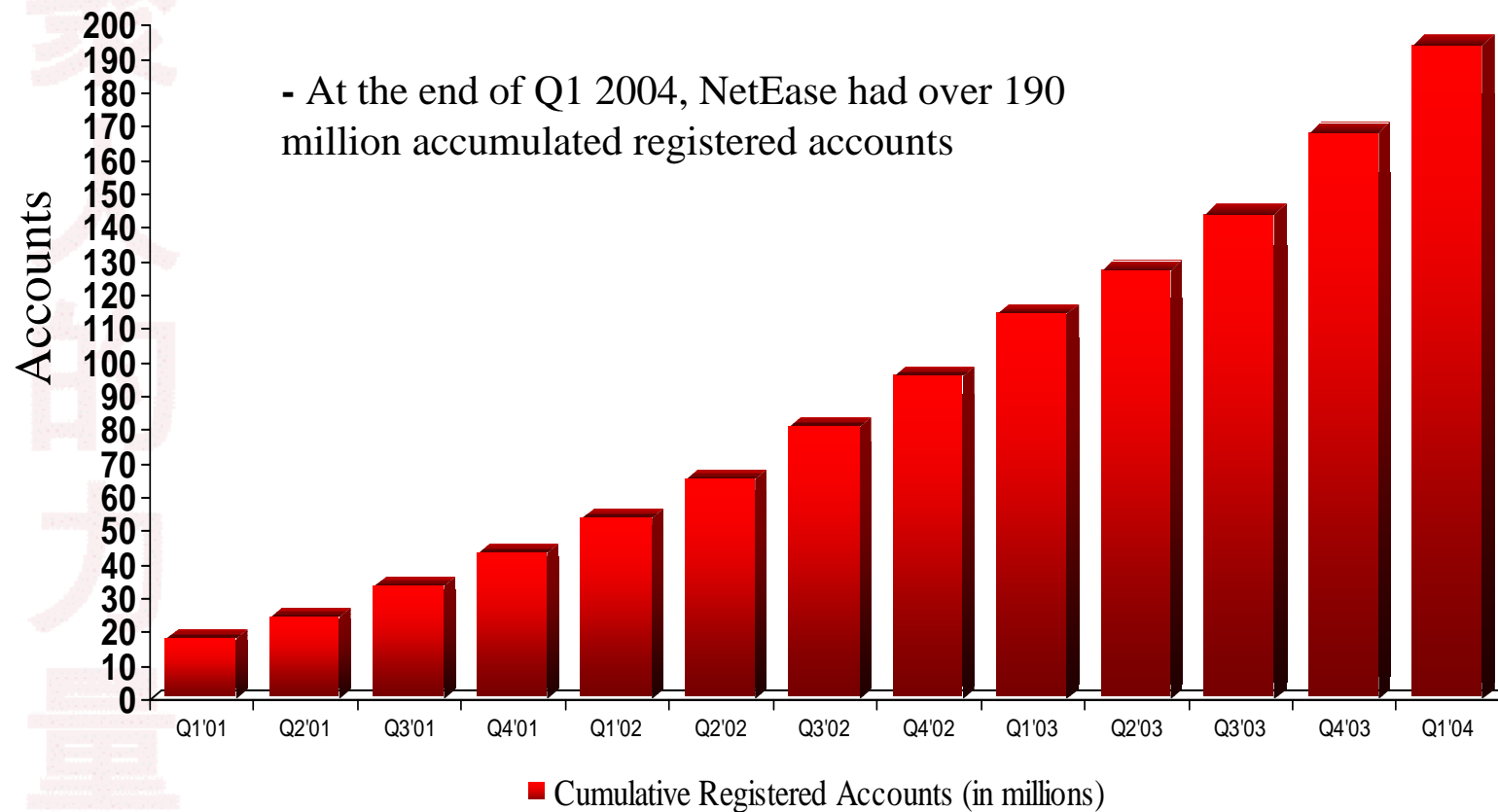
- Leverage Large Internet Audience of Portal
  - Convert our 190+ million accumulated registered accounts and Internet viewers into paying wireless customers
  - Our Internet portal offers an effective marketing tool and interactive distribution channel
- Leverage Existing Community and Content
  - As we have been traditionally providing Community and Content online, we can leverage these resources to provide services via the wireless platform
  - Largest web email provider in China

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Internet Portal

## We continue to accumulate users across our services



## We are a Comprehensive Internet Portal

- The NetEase Web sites are a leading online destination in China (as well as Top 10 Global Ranking per Alexa.com)

網易 NETEASE www.163.com		
Community / Communication	Content	E-Commerce, Search and Other Services
<ul style="list-style-type: none"><li>- Email</li><li>- Chat</li><li>- Community Forums</li><li>- Community Groups</li><li>- Alumni Network</li><li>- Personal Homepages</li><li>- E-card</li><li>- Dating (personals)</li><li>- Love (matchmaking)</li><li>- Avatar</li><li>- Instant Messaging</li></ul>	<ul style="list-style-type: none"><li>- Business</li><li>- Consumer Guide</li><li>- News</li><li>- Entertainment</li><li>- Sports</li><li>- Finance</li><li>- Technology</li><li>- Automobile</li><li>- Regional: GZ &amp; SH</li><li>- Cartoon</li><li>- Astrology &amp; more!</li></ul>	<ul style="list-style-type: none"><li>- Online Mall</li><li>- Web Search</li><li>- Web Directory</li><li>- Classified Ads</li><li>- Job Search</li><li>- Yellow Pages</li></ul>

## Community – Connecting People

- **NetEase is the #1 online community in China** offering comprehensive free and premium tools which allow people to communicate, such as free and premium email, forums, personal homepages, chat rooms, alumni network, dating network, and friend-finder service

POPO –  
Instant  
messaging  
tool



Over 46,000,000 active email  
accounts

eGreeting  
card  
service



Over 2,000 community  
forums



Alumni network service  
with over 18,600,000  
registered accounts





## Content – Informing People

- The NetEase content channels provide the latest news, information and online entertainment. We offer users a wide range of popular content grouped into 21 main channels plus a host of other specialty content channels



21 main channels include:

- Business Focus
- Product Reviews
- News
- Entertainment
- Sports
- Automobile
- Mobile Phones
- Stock
- Information Technology
- Computer Gaming
- Female
- Life
- Career
- Travel
- Education
- Study Abroad
- Health
- Culture
- Real Estate
- Regional SH & GZ Sites

Other content includes:

- Astrology
- Jokes
- Flash Cartoons
- Co-branded mini-sites for Movies, Concerts, etc.



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# 2004 First Quarter Financials

# Quarterly Financials

(Figures in RMB '000)	<u>2003 Q1</u>	<u>2003 Q4</u>	<u>2004 Q1</u>	<u>Q4'03-Q1'04</u>
Net revenues:				<u>growth</u>
Online game services	34,278	70,728	100,000	41.4%
Wireless and other	66,358	64,587	56,675	(12.3%)
Advertising services	11,397	26,478	30,147	13.9%
Total net revenues	<u>112,033</u>	<u>161,793</u>	<u>186,822</u>	<u>15.5%</u>
Gross profit	<u>91,816</u>	<u>136,213</u>	<u>158,368</u>	<u>16.3%</u>
Gross margin	82.0%	84.2%	84.8%	
Operating profit	<u>63,562</u>	<u>98,271</u>	<u>107,812</u>	<u>9.7%</u>
Net profit	<u>68,916</u>	<u>94,080</u>	<u>103,912</u>	<u>10.5%</u>
Net profit per ADS, basic (US\$)	<u>\$0.27</u>	<u>\$0.36</u>	<u>\$0.40</u>	<u>11.1%</u>

## What's Next – Online Games

- Major expansion packs planned for current games.
- Licensed Game – next 5-6 months
- Self Developed Game – next 6-8 months



## What's Next – Wireless

- Develop higher-end or sophisticated wireless products and services with high barriers to entry and leverage the community and email strength of the Portal
- Increase offline marketing effort, continue to build regional teams.
- Strong growth in 2.5G related products such as MMS and WAP.





# What's Next – Portal

## Re-vamping Portal and Improve Content



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Power to the People