

NETEASE.COM, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended			For the year ended		
	December 31, 1999	December 31, 2000	September 30, 2000	December 31, 1999	December 31, 2000	December 31, 2000
	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)	RMB	RMB	US\$ (Note 1)
Revenues:						
Advertising services	7,596,645	22,722,114	18,290,570	10,796,074	60,023,320	7,251,470
Software licensing and related integration projects	117,188	99,653	116,321	3,515,831	450,350	54,407
E-commerce related services	2,459,101	3,494,859	2,720,194	2,459,101	8,447,834	1,020,591
<b>Total revenues</b>	<b>10,172,934</b>	<b>26,316,626</b>	<b>21,127,085</b>	<b>16,771,006</b>	<b>68,921,504</b>	<b>8,326,468</b>
Sales and value-added taxes	(571,388)	(1,378,714)	(1,056,355)	(1,150,169)	(3,789,394)	(457,800)
<b>Net revenues</b>	<b>9,601,546</b>	<b>24,937,912</b>	<b>20,070,730</b>	<b>15,620,837</b>	<b>65,132,110</b>	<b>7,868,668</b>
Cost of revenues:						
Advertising and e-commerce related services (including share compensation costs of RMB6,296,816, RMB0 and RMB0 for the three months ended December 31, 1999 and 2000 and September 30, 2000, respectively, and RMB6,296,816 and RMB1,171,084 for the years ended December 31, 1999 and 2000, respectively)	(10,085,877)	(12,838,153)	(11,889,139)	(11,837,416)	(40,871,514)	(4,937,724)
Software licensing and related integration projects	-	-	-	(258,819)	-	-
<b>Total cost of revenues</b>	<b>(10,085,877)</b>	<b>(12,838,153)</b>	<b>(11,889,139)</b>	<b>(12,096,235)</b>	<b>(40,871,514)</b>	<b>(4,937,724)</b>
<b>Gross profit</b>	<b>(484,331)</b>	<b>12,099,759</b>	<b>8,181,591</b>	<b>3,524,602</b>	<b>24,260,596</b>	<b>2,930,944</b>
Operating expenses:						
Selling, general and administrative (including share compensation cost of RMB34,346,268, RMB2,207,094 and RMB2,209,809 for the three months ended December 31, 1999 and 2000 and September 30, 2000, respectively, and RMB34,346,268 and RMB7,437,230 for the years ended December 31, 1999 and 2000, respectively)	(46,237,944)	(68,214,457)	(58,111,528)	(51,055,489)	(179,657,915)	(21,704,631)
Research and development (including share compensation cost of RMB4,770,315, RMB906,360 and RMB906,360 for the three months ended December 31, 1999 and 2000 and September 30, 2000, respectively, and RMB4,770,315 and RMB5,231,246 for the years ended December 31, 1999 and 2000, respectively)	(5,526,717)	(3,322,388)	(3,177,624)	(5,735,170)	(12,678,904)	(1,531,750)
<b>Total operating expenses</b>	<b>(51,764,661)</b>	<b>(71,536,845)</b>	<b>(61,289,152)</b>	<b>(56,790,659)</b>	<b>(192,336,819)</b>	<b>(23,236,381)</b>
<b>Operating loss</b>	<b>(52,248,992)</b>	<b>(59,437,086)</b>	<b>(53,107,561)</b>	<b>(53,266,057)</b>	<b>(168,076,223)</b>	<b>(20,305,437)</b>
Other income (expenses):						
Sale of 163.net usage right	-	-	-	1,500,000	-	-
Interest income, net	383,750	9,281,973	11,525,623	357,160	25,268,975	3,052,767
Other, net	(81,060)	(1,606)	(6,646)	(494,018)	(9,099)	(1,099)
<b>Loss before tax</b>	<b>(51,946,302)</b>	<b>(50,156,719)</b>	<b>(41,588,584)</b>	<b>(51,902,915)</b>	<b>(142,816,347)</b>	<b>(17,253,769)</b>
Provision for income tax	-	-	-	(71,338)	-	-
<b>Net loss</b>	<b>(51,946,302)</b>	<b>(50,156,719)</b>	<b>(41,588,584)</b>	<b>(51,974,253)</b>	<b>(142,816,347)</b>	<b>(17,253,769)</b>
Net loss per share, basic and diluted	(0.03)	(0.02)	(0.01)	(0.03)	(0.06)	(0.01)
Net loss per ADS, basic and diluted	(2.60)	(1.67)	(1.41)	(2.73)	(5.72)	(0.69)
Weighted average number of ordinary shares outstanding	1,994,240,100	3,010,555,600	2,955,277,900	1,900,430,600	2,497,467,200	2,497,467,200
Weighted average number of ADSs outstanding	19,942,401	30,105,556	29,552,779	19,004,306	24,974,672	24,974,672

Note 1: Translations of amounts from RMB into United States dollars for the convenience of the reader were calculated at the noon buying rate of US\$1.00=RMB8.2774 on December 31, 2000 in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.

**NESTEASE.COM, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	December 31, 1999	December 31, 2000	December 31, 2000
	RMB	RMB	US\$ (Note 1)
<i>Assets</i>			
<b>Current assets:</b>			
Cash	117,800,096	708,561,012	85,601,881
Restricted cash	-	136,052,705	16,436,647
Accounts receivable	6,633,299	1,084,888	131,066
Prepayments	5,822,014	3,369,211	407,037
Other current assets	2,947,091	29,732,955	3,592,065
Due from related parties	1,017,245	30,494,177	3,684,029
<b>Total current assets</b>	<b>134,219,745</b>	<b>909,294,948</b>	<b>109,852,725</b>
Non-current rental deposit	-	1,682,710	203,290
Investment in convertible note	-	827,810	100,008
Investment in convertible preference shares	-	16,556,199	2,000,169
Property, equipment and software, net	9,508,437	44,205,640	5,340,522
Deferred asset	-	21,368,657	2,581,566
<b>Total assets</b>	<b>143,728,182</b>	<b>993,935,964</b>	<b>120,078,280</b>
<b>Liabilities &amp; Shareholders' Equity</b>			
<b>Current liabilities:</b>			
Short-term bank loans	-	112,600,000	13,603,305
Accounts payable	1,142,224	9,996,953	1,207,742
Salary and welfare payable	1,869,403	6,732,037	813,303
Taxes payable	1,417,864	2,320,054	280,288
Deferred revenue	1,593,851	1,808,739	218,515
Accrued liabilities	697,650	18,781,557	2,269,016
Due to related parties	941,950	1,313,229	158,652
<b>Total current liabilities</b>	<b>7,662,942</b>	<b>153,552,569</b>	<b>18,550,821</b>
<b>Shareholders' equity:</b>			
Series A convertible preference shares US\$0.01 par value: 3,000,000 shares authorized, issued and outstanding as of December 31, 1999 (aggregate preference on liquidation of US\$15 million)	248,367	-	-
Ordinary shares, US\$0.0001 par value: 1,000,000,000,000 shares authorized, 2,004,500,000 shares issued and outstanding as of December 31, 1999, and 3,010,555,600 shares issued and outstanding as of December 31, 2000	1,659,447	2,492,350	301,103
Additional paid-in capital	197,604,001	1,076,505,358	130,053,562
Less: Subscription receivable (Note 2)	-	(6,439,401)	(777,950)
Deferred compensation	(11,743,182)	(37,306,585)	(4,507,041)
Translation adjustments	-	(348,586)	(42,113)
Accumulated deficit	(51,703,393)	(194,519,741)	(23,500,102)
<b>Total shareholders' equity</b>	<b>136,065,240</b>	<b>840,383,395</b>	<b>101,527,459</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>143,728,182</b>	<b>993,935,964</b>	<b>120,078,280</b>

Note 1: Translations of amounts from RMB into United States dollars for the convenience of the reader were calculated at the noon buying rate of US\$1.00=RMB8.2774 on December 31, 2000 in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.

Note 2: Subscription receivable represents advances to some shareholders for subscription for the Company's ordinary shares. It is offset against capital as such ordinary shares are pledged by those shareholders as security for repayment of the advances.