

FURTHER INFORMATION ABOUT US

Our incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on July 6, 1999 and changed its name to “NetEase, Inc.” on March 29, 2012. We have registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance with an address at 8th Floor, Chuang’s Tower, 30-32 Connaught Road Central, Hong Kong. Cary Ka Lee Cheng has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in “Summary of our Constitution and Cayman Companies Law” in Appendix III.

Changes in our share capital

As at the Latest Practicable Date, we had an authorized share capital of US\$100,030,000, divided into 1,000,300,000,000 Shares of par value US\$0.0001 per Share, and a total of 3,257,915,456 Shares were issued.

The tables below set out the changes in the share capital of our Company during the periods presented in this document, excluding bulk Shares issued for the purpose of the RSU Plans.

	Fiscal year ended December 31, 2017	
	Shares	Shareholders’ Equity⁽¹⁾
		<i>(US\$)</i>
Balance as at January 1, 2017	3,281,479,806	328,147.98
Issuance of Shares	29,805,575	2,980.56
Repurchase of Shares ⁽²⁾	(28,067,925)	(2,806.79)
	<u>3,283,217,456</u>	<u>328,321.75</u>
Balance as at December 31, 2017	<u>3,283,217,456</u>	<u>328,321.75</u>
	Fiscal year ended December 31, 2018	
	Shares	Shareholders’ Equity⁽¹⁾
		<i>(US\$)</i>
Balance as at January 1, 2018	3,283,217,456	328,321.75
Issuance of Shares	30,709,100	3,070.91
Repurchase of Shares ⁽²⁾	(114,908,150)	(11,490.82)
	<u>3,199,018,406</u>	<u>319,901.84</u>
Balance as at December 31, 2018	<u>3,199,018,406</u>	<u>319,901.84</u>

	Fiscal year ended December 31, 2019	
	Shares	Shareholders' Equity ⁽¹⁾ (US\$)
Balance as at January 1, 2019	3,199,018,406	319,901.84
Issuance of Shares	29,538,350	2,953.84
Repurchase of Shares ⁽²⁾	(25,375)	(2.54)
Balance as at December 31, 2019	<u>3,228,531,381</u>	<u>322,853.14</u>

Notes:

- (1) Calculated based on a par value of US\$0.0001 per Share.
- (2) Includes Shares underlying repurchased ADSs.

Changes in the share capital of our Significant Subsidiaries

The following alterations in the share capital of our Significant Subsidiaries have taken place within the two years immediately preceding the date of this document:

Youdao Information: the registered share capital of Youdao Information has changed in the following manner: (i) on May 21, 2018, the registered share capital increased from US\$200,000 to US\$15.2 million; (ii) on November 1, 2018, the registered share capital increased from US\$15.2 million to US\$35.2 million; (iii) on April 22, 2019, the registered share capital increased from US\$35.2 million to US\$55.2 million; and (iv) on November 7, 2019, the registered share capital increased from US\$55.2 million to US\$105.2 million.

Share incentive plan of Youdao

Our separately listed entity, Youdao, adopted an employee share incentive plan (the “**Youdao Plan**”) adopted in February 2015 and amended in April 2018. The purpose of the Youdao Plan is to promote the success and enhance the value of Youdao and its subsidiaries by linking the personal interests of the employees, directors and consultants to those of Youdao’s shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Youdao’s shareholders. The maximum aggregate number of ordinary shares that Youdao is authorized to issue pursuant to equity awards granted under the Youdao Plan is 10,222,222 shares. As of March 31, 2020, options to purchase a total of 8,698,800 ordinary shares were outstanding and 4,806,900 of these options had vested and become exercisable under the Youdao Plan.

We summarize the key terms of the Youdao Plan below:

- (a) **Types of Awards.** The Youdao Plan permits the award of options, restricted shares, restricted share units, share appreciation rights, dividend equivalents, share payments, deferred shares and other type of awards, as designed and approved by the plan administrator.
- (b) **Plan Administration.** The Youdao Plan shall be administrated by Youdao’s board of directors (“**Youdao’s board**”) or a committee of Youdao’s board, as determined by Youdao’s board.
- (c) **Eligibility.** Any employee, director or consultant of Youdao shall be eligible to participate in the Youdao Plan, as determined by the plan administrator.

- (d) ***Award Agreement.*** Each award under the Youdao Plan shall be evidenced and governed exclusively by an award agreement executed by Youdao and the participants, including any amendments thereto. The award agreement may include the term of an award, the provisions applicable in the event the participant's employment or service terminates, and Youdao's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award. The award agreement shall also include such additional provisions as may be specified by the plan administrator.
- (e) ***Conditions of Award.*** The plan administrator of the Youdao Plan shall determine the provisions, terms, and conditions of each award including, but not limited to, the types of awards, award vesting schedule, number of awards to be granted and the number of shares to be covered by the awards, exercise price, any restrictions or limitations on the award and term of each award.
- (f) ***Acceleration of Awards upon Change in Control.*** Upon a change of control of Youdao, any award previously granted pursuant to the Youdao Plan shall vest immediately unless the plan administrator determines otherwise.
- (g) ***Protection against Dilution.*** In the event of any dividend, share split, combination or exchange of shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Youdao's assets to Youdao's shareholders, or any other change affecting the share capital, the plan administrator shall make such proportionate adjustments, if any, as necessary to reflect such change with respect to: (i) the aggregate number and type of shares that may be issued under the Youdao Plan; (ii) the terms and conditions of any outstanding awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (iii) the grant or exercise price per share for any outstanding awards under the Youdao Plan.
- (h) ***Amendment, Suspension or Termination of the Youdao Plan.*** With the approval of Youdao's board, the plan administrator may terminate, amend or modify the Youdao Plan; provided, however, that to the extent necessary and desirable to comply with any applicable law, regulation, or stock exchange rule, unless Youdao decides to follow its home country's practice not to seek Youdao's shareholder approval for any amendment or modification of the Youdao Plan, Youdao shall obtain shareholder approval of any plan amendment in such a manner and to such a degree as required. No termination, amendment, or modification of the Youdao Plan shall adversely affect in any material way any award previously granted pursuant to the Youdao Plan without the prior written consent of the participant.

The following table summarizes, as of March 31, 2020, the number of Youdao's ordinary shares underlying outstanding options that were granted to Youdao's directors and executive officers:

	Ordinary Shares Underlying Options Granted	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
William Lei Ding	-	-	-	-
Feng Zhou	-	-	-	-
Harry Heung Yeung Shum	*	US\$4.0	February 25, 2020	February 25, 2026
Jimmy Lai	*	US\$4.0	February 25, 2020	February 25, 2026
Yinghui Wu	-	-	-	-
Lei Jin	-	-	-	-
Renlei Liu	*	US\$1.5 to US\$2.5	February 11, 2015 and January 17, 2017	February 11, 2021 and January 17, 2023
Peng Su	*	US\$3.5	May 30, 2019	May 30, 2025
Yongwei Li	*	US\$3.5 to US\$4.0	May 30, 2019 and January 14, 2020	May 30, 2025 and January 14, 2026
			February 11, 2015, January 17, 2017, May 30, 2019, January 14, 2020 and February 25, 2020	February 11, 2021, January 17, 2023, May 30, 2025, January 14, 2026 and February 25, 2026
All directors and executive officers as a group	*	US\$1.5 to US\$4.0		

* Less than 1% of Youdao's outstanding shares.

For information on our Company's share incentive plans, see "Directors and Senior Management — Compensation."

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are material:

1. a supplementary agreement of assignment dated April 18, 2019, entered into among 網易(杭州)網絡有限公司, 杭州網易雷火科技有限公司, 胡志鵬, 胡天磊, and 程龍, pursuant to which 胡天磊 assigned all and any of his rights and obligations under the following agreements to 程龍:
 - (a) an amended and restated operating agreement dated December 1, 2015, entered into among NetEase (Hangzhou) Network Co., Ltd. ("**Party A**"), Hangzhou NetEase Leihuo Network Co., Ltd. ("**Party B**"), Hu Zhipeng, and Hu Tianlei, pursuant to which, among other things, Party A agreed to be the guarantor of Party B in the contracts, agreements or transactions entered into between Party B and any third party in connection with Party B's business and operations, and to provide full guarantees for the performance of such contracts, agreements or transactions by Party B, in exchange for Party B pledging the accounts receivable in its operations and all of its assets to Party A;

- (b) an amended and restated loan agreement dated December 1, 2015, entered into between NetEase (Hangzhou) Network Co., Ltd. (“**Lender**”) and Hu Tianlei (“**Borrower**”), pursuant to which the Lender provided to the Borrower a loan in the aggregate amount of RMB5 million, and any additional loans at the Lender’s absolute discretion, solely for the purpose of paying the Borrower’s capital contribution amount in the registered capital of Hangzhou NetEase Leihuo Network Co., Ltd. for a term of ten years with an automatic extension for another ten years;
- (c) an amended and restated equity pledge agreement dated December 1, 2015, entered into between NetEase (Hangzhou) Network Co., Ltd. (“**Pledgee**”) and Hu Tianlei (“**Pledgor**”), pursuant to which the Pledgor pledged to the Pledgee a first security interest in all of the Pledgor’s rights, title and interests, whether then legally owned or thereafter acquired by the Pledgor in all of the equity interests of Hangzhou NetEase Leihuo Network Co., Ltd. which are legally owned by the Pledgor during the term of the amended and restated equity pledge agreement;
- (d) an amended and restated exclusive purchase option agreement dated December 1, 2015, entered into among NetEase (Hangzhou) Network Co., Ltd. (“**Party A**”), Hu Tianlei (“**Party B**”), and Hangzhou NetEase Leihuo Network Co., Ltd. (“**Party C**”), pursuant to which Party B irrevocably granted to Party A an option (exercisable one or more times) to purchase or cause any one or more persons designated by Party A to purchase at any time from Party B a portion of, or all of, the 50% of the equity interest in Party C held by Party B at a price specified under the agreement;
- (e) a shareholder voting right trust agreement dated December 1, 2015, entered into between NetEase (Hangzhou) Network Co., Ltd. (“**Party A**”) and Hu Tianlei (“**Party B**”), and acknowledged and accepted by Hangzhou NetEase Leihuo Network Co., Ltd., pursuant which Party B irrevocably entrusted a person designated by Party A with full authority to exercise on his/her behalf all shareholder’s voting rights and other shareholder’s rights at the shareholders’ meeting of Hangzhou NetEase Leihuo Network Co., Ltd.; and

2. the Hong Kong Underwriting Agreement.

Our intellectual property rights

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success; and we rely on copyright, trademark and patent law, confidentiality, invention assignment and non-compete agreements with our employees and other parties to protect our proprietary rights.

As of March 31, 2020, we had more than 20,000 patents, trademarks, copyrights and domain names registered or applied for registration inside and outside China, a number of which we consider material to our business and future development, including registered trademarks for “NetEase” (網易 NETEASE), “NetEase Games” (网易游戏), “Fantasy Westward Journey” (梦幻西游), “NetEase Yanxuan” (网易严选), “NetEase Cloud Music” (网易云音乐) and domain names for “163.com” and “netease.com.” Our separately listed entity, Youdao, which operates our intelligent learning platform, alone has more than 75 patents, 61 trademarks, 75 copyrights, and 30 domain names, registered with the relevant intellectual property regulatory authorities in China as of March 31, 2020, including “Youdao” and “有道.”

FURTHER INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS

Disclosure of interests

See “Major Shareholders” for disclosure of interests of our directors and executive officers.

Director service contracts and remuneration

We have entered into employment agreements with each of our directors who is also an officer. See “Directors and Senior Management — Compensation — Employment agreements.”

Each of our directors was nominated pursuant to our Articles of Association. Each of our directors shall hold office until the expiration of their term as provided in their respective agreement or until they are removed or resign from our board.

We grant share-based awards to our independent directors under the Share Incentive Plans. See “Directors and Senior Management — Compensation — Compensation of our directors and senior managers.”

Disclosures relating to our directors and experts

Save as disclosed in this document:

- (a) none of our directors nor any of the persons listed in “— Other Information — Qualification of experts” below is materially interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to our subsidiaries and our consolidated affiliated entities, or are proposed to be acquired or disposed of by or leased to our subsidiaries and our consolidated affiliated entities.

- (b) none of our directors nor any of the persons listed in “— Other Information — Qualification of experts” below is materially interested in any contract or arrangement with us subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to our business as a whole.

- (c) none of the persons listed in “— Other Information — Qualification of experts” below has any shareholding in us or any of our Significant Subsidiaries or has the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us or any of our Significant Subsidiaries.

OTHER INFORMATION

Estate duty

Our directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Litigation

See “Our Business — Legal Proceedings and Compliance” for further information.

Joint Sponsors

The Joint Sponsors have applied on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares that may be issued pursuant to the exercise of the Over-allotment Option), and the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options, the vesting of or vested but outstanding RSUs, or other awards that have been or may be granted from time to time. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, and J.P. Morgan Securities (Far East) Limited, listed in alphabetical order, satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

The sponsor fee payable to each of the Joint Sponsors is US\$500,000 and is payable by our Company.

No material adverse change

Our directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2019 (being the date to which our latest audited consolidated financial statements were prepared).

Qualification of experts

The following are the qualifications of the experts (as defined under the Hong Kong Listing Rules and the Companies (WUMP) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Credit Suisse (Hong Kong) Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
J.P. Morgan Securities (Far East) Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountant under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Zhong Lun Law Firm	Legal adviser to Company as to PRC law
Maples and Calder (Hong Kong) LLP	Legal adviser to Company as to Cayman Islands law

Consents of experts

Each of the experts above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

Promoter

Our Company has no promoter for the purpose of the Hong Kong Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this document.

Binding effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the *Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice* (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

Save as disclosed in this document, or otherwise waived or exempted from disclosure pursuant to the waivers and exemptions disclosed in this document (see “Waivers and Exemptions”), within the two years immediately preceding the date of this document:

- (a) to the best of our knowledge, neither we nor any of our Significant Subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
- (b) no Share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any share capital or debentures of our Company or any of our Significant Subsidiaries;
- (d) no founder, management or deferred Shares of our Company or any of our Significant Subsidiaries has been issued or agreed to be issued; and

- (e) there is no arrangement under which future dividends are waived or agreed to be waived.

Our branch register of members will be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Unless the directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

Our directors confirm that:

- (a) there has not been any interruption in our business that may have or has had a material adverse effect on our financial position in the 12 months immediately preceding the date of this document; and
- (b) we and our Significant Subsidiaries have no outstanding debentures or convertible debt securities.

The English version of this document shall prevail over the Chinese version.