The information set forth in this section has been derived from various government and private publications.

We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, **[REDACTION]** *and no representation is given as to its accuracy or completeness.*

Source of Information

We have extracted and derived certain information and statistics on China's Internet industry from various governmental or other publicly available sources, including data from CNNIC. Historical data and market estimates are provided by the aforementioned sources independently of our view.

In addition, we have commissioned iResearch, an Independent Third Party and a PRC-based Internet market research institution, to prepare the iResearch Report, an industry report on the children's Internet market in China for use in **[REDACTION]**. iResearch has prepared the iResearch Report based on its self-developed analysis methods and data collected from various sources. We agreed to pay RMB215,000 for the preparation of the iResearch Report.

CNNIC

CNNIC is a research institution operated by the PRC Government. Since 1997, CNNIC has published a number of statistical reports on Internet development in China. Its main research methods include: (i) Internet-user survey via a Computer-Assisted Telephone Interviewing (CATI) system; (ii) enterprise survey via telephone calls, which employs stratified random sampling, using economic census data as the basis to determine sample quantity per province and conducting random sampling based on corporate yellow page data; and (iii) online survey among active Internet users via the CNNIC website and certain other large websites in China.

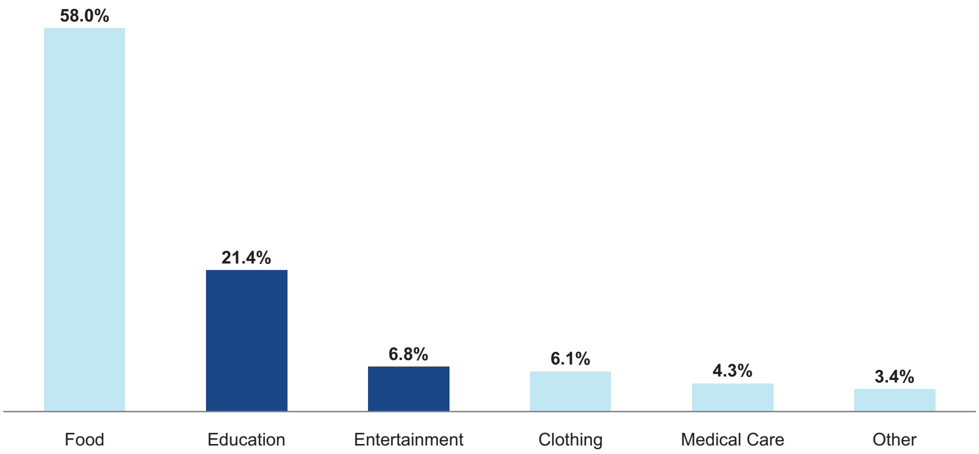
iResearch Report

iResearch's independent research was undertaken through both primary and secondary research conducted in China. The primary research involved in-depth interviews with industry experts, enterprises and channels. The secondary research utilized Internet-based methods for Internet research and involved comprehensive in-house research of public information for industry research, including government data and information, relevant economic data, industry data, company annual reports, quarterly reports, publications by industry experts and data from iResearch's own research database. iResearch integrates analyses from iAdTracker, an Internet advertising monitoring database, and iUserTracker, an Internet-user online behavior tracking database.

iResearch's projection on the market size of online games takes into consideration various factors including (i) historical data of market size, (ii) the public filings of major children's web game developers, as well as those companies' projections of their own prospective results of operations during iResearch's interviews with them; (iii) industry experts' projections; and (iv) iResearch's estimation of industry developments. iResearch's projection on the user base size is based on certain assumptions, including (i) the expected growth rate of China's economy and GDP and (ii) the level of broadband infrastructure improvement, and takes into account other factors, including historical user base size data. The reliability of the iResearch Report may be affected by the accuracy of the foregoing assumptions and factors.

Overview

According to the iResearch Report, China had approximately 146 million children between the ages of five and 14 in 2012. Additionally, in 2012 there were over 261 million school students in China, approximately one-third of which were primary school students. With the recent relaxation of the one-child policy, China's children population is expected to experience a small increase. Furthermore, as a result of the long-term "one-child policy," Chinese parents and grandparents are often more willing to invest a significant amount of their income and savings on the only child in the family. Although the recent relaxation of the "one-child" policy will lead to some "two-child" families, it is not expected to have an immediate material adverse impact on Chinese families' willingness to invest significant financial resources in children, according to iResearch. Given the rapid economic development experienced by China in recent years, households have also been observing an increase in annual per capita disposable income, which increased at a CAGR of 14.7% from RMB6,367 in 2005 to RMB16,669 in 2012, according to the National Bureau of Statistics of China. According to the iResearch Report, children's education and entertainment are the two primary spending categories on children in China other than food. The following chart illustrates spending on various categories as a percentage of total household expenditures on children in China in 2012.



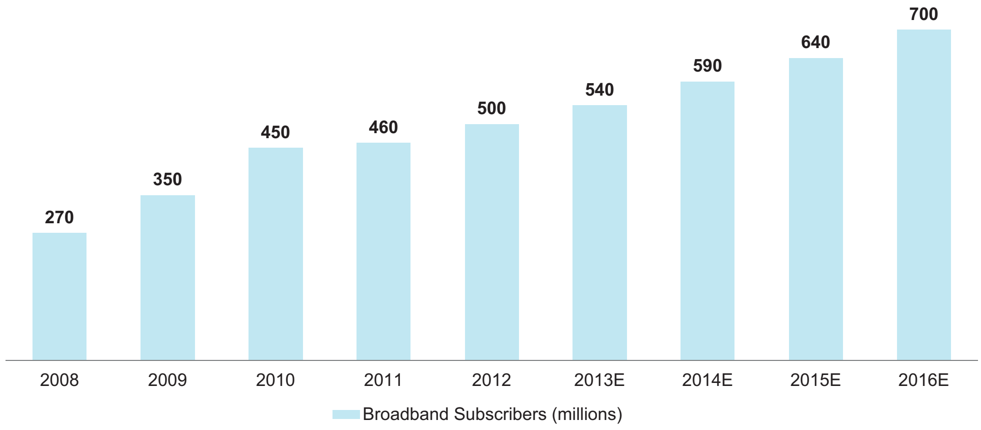
Source: iResearch Report

Children's entertainment primarily consists of print media, television, films and online entertainment. The increasing expansion of broadband and child Internet users penetration rate in China have resulted in online entertainment becoming an important part of children's daily leisure activities.

Children's Internet Market in China

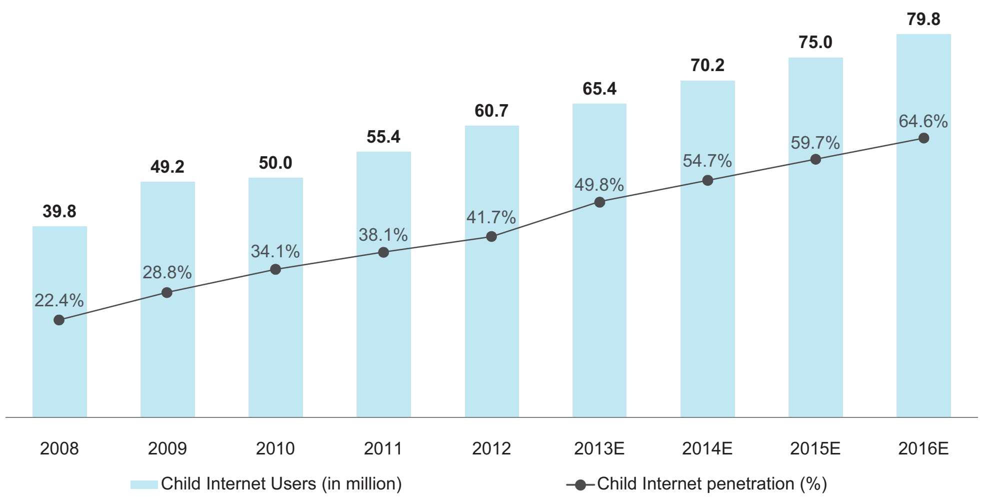
China has the world's largest child Internet user base, according to the iResearch Report. According to the iResearch Report, the child Internet population in China has undergone rapid growth in recent years, increasing from 39.8 million in 2008 to 60.7 million in 2012, representing a CAGR of 11.2%. In comparison, the child Internet population in the United States was only 24 million in 2012, according to the United States Census Bureau.

China's broadband infrastructure has improved significantly in recent years, providing children with increased ease of access to the Internet. The following chart illustrates China's increasing broadband proliferation from 2008 to 2016:



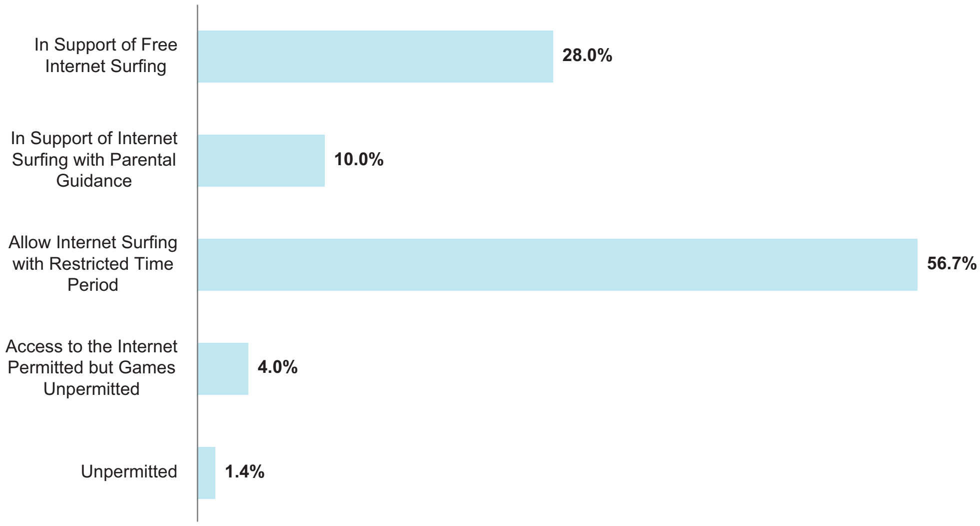
Source: iResearch Report

As broadband infrastructure in China improves, China's child Internet population is expected to continue to grow in the next few years. According to the iResearch Report, China's child Internet population is forecasted to grow from 60.7 million in 2012 to 79.8 million in 2016 at a CAGR of 7.1%. The following chart sets out China's child Internet population and penetration rate from 2008 to 2016:



Source: CNNIC

With the increase of China's child Internet population, the Internet has gradually become one of the most important entertainment and education platforms for children in China. Additionally, with the proliferation of smart devices with Internet access, children are now able to play games, access audio and video content, chat and study online. Furthermore, this trend of Internet usage by children has gained growing acceptance and support from parents in China. The following chart illustrates Chinese parents' level of acceptance and support towards their children's use of the Internet:

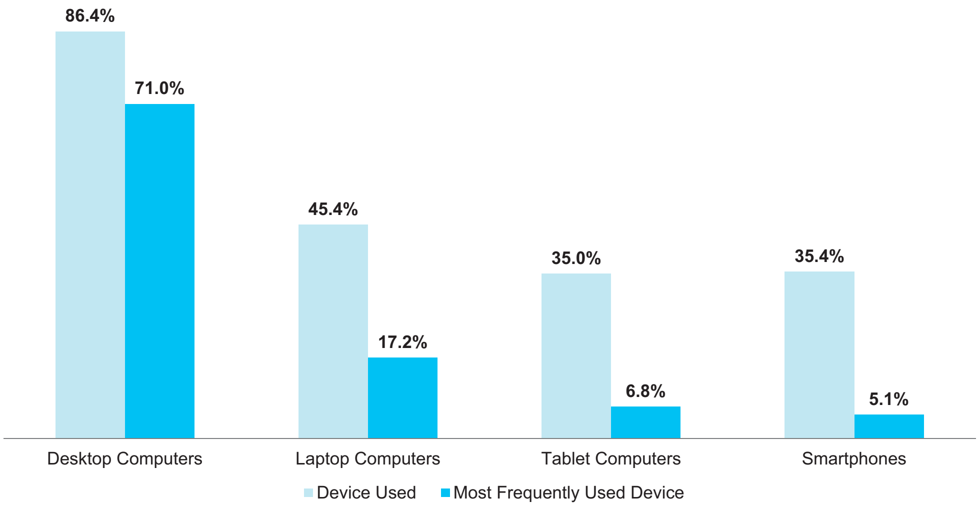


Source: iResearch Report

As a result of the foregoing, children in China now spend a significant amount of time online. According to a survey conducted by iResearch, 58% of children in China spend over 5 hours online each week, and 16% spend over 20 hours online each week, with an average of 11.8 hours online spent by children on a weekly basis.

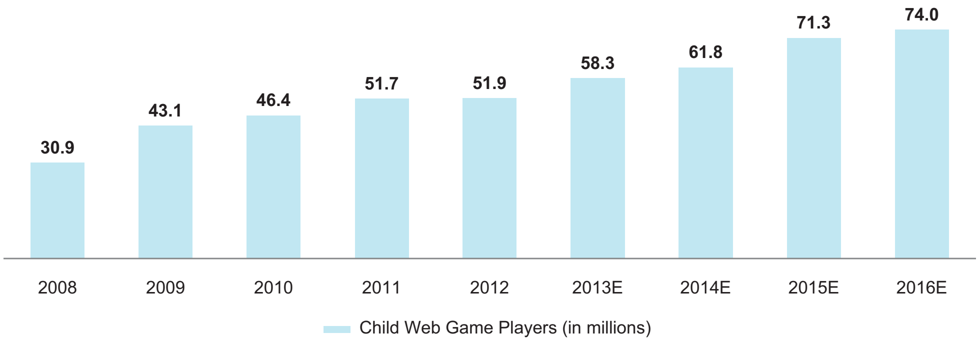
Children's Online Entertainment in China

Children's online entertainment activities in China primarily consist of playing web games, listening to music, chatting, watching cartoons and visiting forums. According to the iResearch Report, more than 80% of child Internet users in China play web games, compared to less than 40% of total Internet users (children and adults), making web games the most popular online activity for children in China. The preferred device to play web games for children in China is the PC, which includes desktops and laptops, and is preferred by over 88% of children to play web games. However, mobile devices are also gaining in popularity, with over half of China's child web game players having had played web games on mobile devices. The following chart sets out the types of devices used by children to play web games in China:



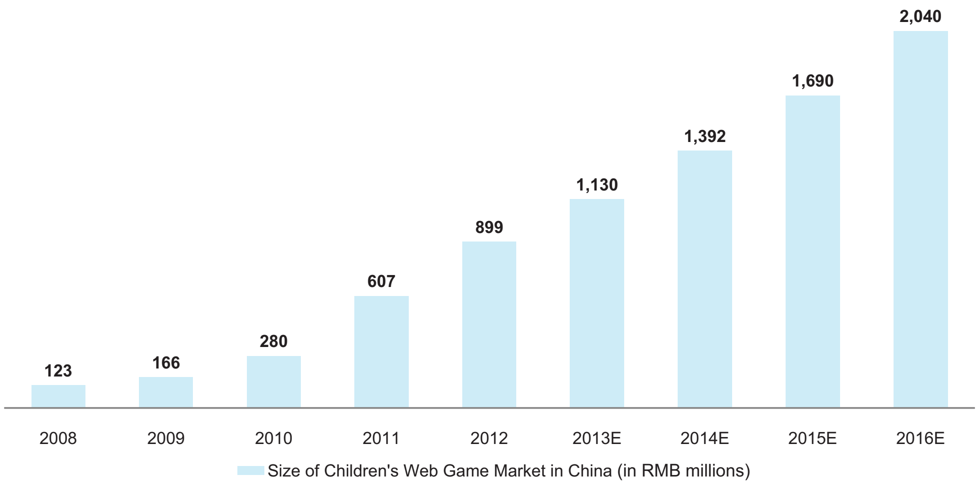
Source: iResearch Report

According to the iResearch Report, child web game users in China reached 51.9 million in 2012, representing 85.5% of the total child Internet population. By 2016, China's total number of child web game users is expected to increase to 74.0 million at a CAGR of approximately 9.3%. The following chart sets out the number of China's child web game users from 2008 to 2016:



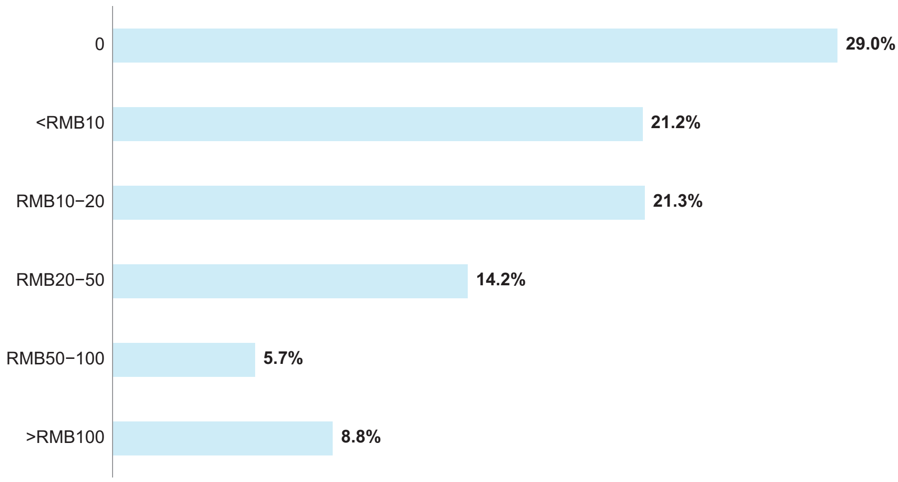
Source: iResearch Report

In 2013, the size of the children's web game market in China reached approximately RMB1.1 billion, and is expected to increase to RMB2.0 billion in 2016 at a CAGR of 22.1%, according to the iResearch Report. The following chart sets out the size of children's web game market in China from 2008 to 2016 :



Source: iResearch Report

A majority of child web game users in China are willing to spend money on the web games that they play, with approximately 50% willing to spend over RMB10 per month, including 8.8% willing to spend over RMB100 per month. The following chart sets out the amount of expenditures by child web game users on web games:

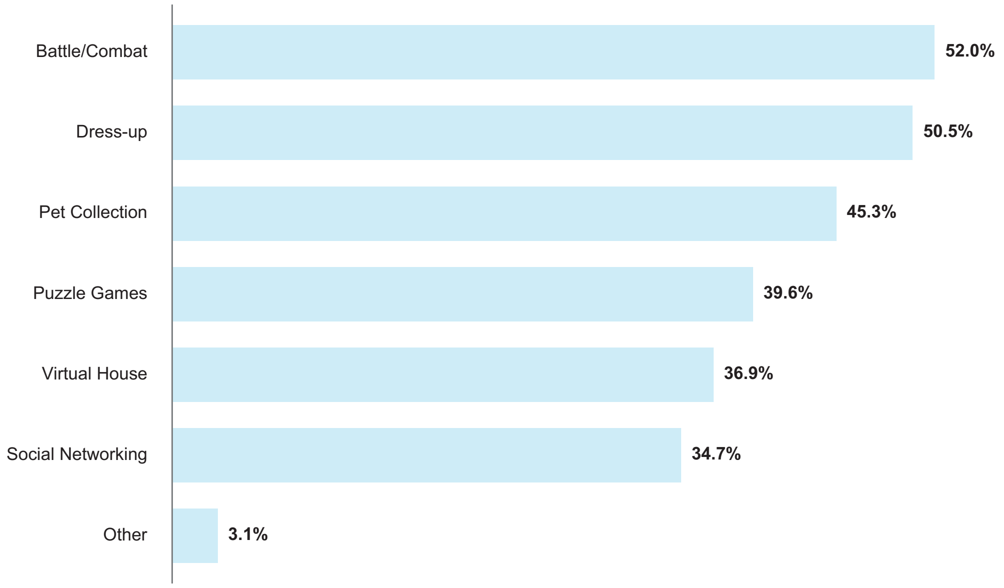


Source: iResearch Report

The children's web game industry in China is dominated by Baioo, Taomee and Tencent. In 2013, these three companies held 68.9% of market share by revenue, according to the iResearch Report. Baioo is the leading player, with 40.3% of market share by revenue. All five of Baioo's virtual worlds in commercial operation in full year 2013 ranked among the top 12 web games for children in China as measured by Baidu search index, according to the iResearch Report.

Ranking by Baidu Search Index	Names	Company
1	Roco Kingdom	Tencent
2	Seer	Taomee
3	**Aobi Island**	**Baioo**
4	**Aola Star**	**Baioo**
5	**Legend of Aoqi**	**Baioo**
6	Ji Jia Xuan Feng	Tencent
7	Mole's World	Taomee
8	**Dragon Knights**	**Baioo**
9	Flower Fairy	Taomee
10	Gong Fu Pai	Taomee
11	**Light of Aoya**	**Baioo**
12	Shen Jiang Shi Jie	Renzhemao Studio

Children's web games contain various elements enjoyed by their users. The following chart sets out game elements preferred by children in their web games:

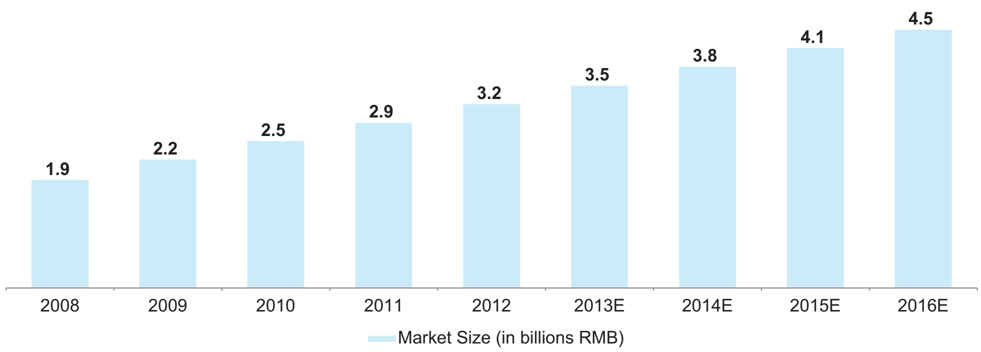


Source: iResearch Report

Children's Online Education in China

Chinese families have traditionally put strong emphasis on education and heavily invested in their children's education. According to the iResearch Report, spending on children's education represented over 20% of total household spending on children in China in 2012. While traditional education services tend to be restricted by geographic location and difficult to standardize and replicate, online education does not face these challenges and therefore may make online education services more scalable and accessible.

According to a survey conducted by iResearch, 51% of children indicated strong interest in online education, with an additional 27% indicating interest. Additionally, online education has gained support and recognition from parents in China, with over 75% of parents surveyed by iResearch supporting online education and willing to pay for online education. However, the online education services industry is only at a nascent stage in China, with less than 2.0% of K-12 students having used online education services in 2012. According to the iResearch Report, in 2012 the size of the online K-12 education market in China reached RMB3.2 billion, and is projected to increase to RMB4.5 billion in 2016, representing a CAGR of 9% and indicating a continued shift from offline to online spending on education. However, iResearch estimates that only approximately 2.7% of K-12 students will use online education services in 2016, indicating that this industry has sufficient room for growth in the future. The following chart sets out the size of the K-12 online education market in China:



Source: iResearch Report