



Tian Ge Interactive Holdings Limited
天鵝互動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1980

**Global
Offering**



Joint Sponsors and Joint Global Coordinators



Joint Bookrunners



Jefferies



Joint Lead Managers



Jefferies



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Tian Ge Interactive Holdings Limited 天 鴿 互 動 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Global Offering

| | | |
|--|---|---|
| Number of Offer Shares under the Global Offering | : | 304,267,000 Shares (subject to the Over-allotment Option) |
| Number of Hong Kong Offer Shares | : | 30,428,000 Shares (subject to adjustment) |
| Number of International Offer Shares | : | 273,839,000 Shares (subject to adjustment and the Over-allotment Option) |
| Maximum Offer Price | : | HK\$5.30 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund) |
| Nominal value | : | US\$0.0001 per Share |
| Stock code | : | 1980 |

Joint Sponsors and Joint Global Coordinators



Joint Bookrunners



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, with the documents specified in the section headed "Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection" herein, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, June 30, 2014 and, in any event, not later than Friday, July 4, 2014. The Offer Price will not be more than HK\$5.30 and is currently expected to be not less than HK\$4.50. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$5.30 for each Hong Kong Offer Share together with a brokerage of 1%, an SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$5.30 per Offer Share.

The Joint Global Coordinators, on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.tiance.com. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us are unable to reach agreement on the Offer Price by Friday, July 4, 2014, the Global Offering will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the day on which trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act. The Offer Shares are being offered and sold (1) to qualified institutional buyers in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

June 25, 2014

EXPECTED TIMETABLE^(note 1)

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in the South China Morning Post (in English), and in the Hong Kong Economic Times (in Chinese).

Latest time to complete electronic applications under
White Form eIPO service through the designated
website at www.eipo.com.hk^(note 2) 11:30 a.m. on Monday, June 30, 2014

Application lists open^(note 3) 11:45 a.m. on Monday, June 30, 2014

Latest time for lodging **WHITE, YELLOW**
Application Forms and giving **electronic**
application instructions to HKSCC^(note 4) 12:00 noon on Monday, June 30, 2014

Latest time to complete payment of
White Form eIPO Applications by
effecting Internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Monday, June 30, 2014

Application lists close^(note 3) 12:00 noon on Monday, June 30, 2014

Expected Price Determination Date^(note 5) Monday, June 30, 2014

(1) Announcement of:

- the Offer Price;
- the level of indication of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allotment under the Hong Kong Public Offering

to be published in the South China Morning Post (in English)
and in the Hong Kong Economic Times (in Chinese)
on or before Tuesday, July 8, 2014

(2) Results of allocations in the Hong Kong Public Offering
(with successful Applicants' identification document numbers,
where appropriate) to be available through a variety of channels.
(See "How to apply for Hong Kong Offer Shares – Publication
of Results" in this prospectus) from Tuesday, July 8, 2014

EXPECTED TIMETABLE^(note 1)

- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.tiange.com from Tuesday, July 8, 2014

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function Tuesday, July 8, 2014

Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before^(note 6) Tuesday, July 8, 2014

Dispatch of White Form e-Refund payment instructions/ refund checks in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before^(note 6) Tuesday, July 8, 2014

Dealings in Shares on the Stock Exchange to commence on Wednesday, July 9, 2014

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, June 30, 2014, the application lists will not open or close on that day. Further information is set out in the sub-section headed "How to Apply for Hong Kong Offer Shares – Effect of Bad Weather on the Opening of the Applications Lists" in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the sub-section headed "How to Apply for Hong Kong Offer Shares – Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.
- (5) The Price Determination Date is expected to be on or about Monday, June 30, 2014, and in any event, not later than Friday, July 4, 2014. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us on or before Friday, July 4, 2014, the Global Offering will not proceed and will lapse.
- (6) **Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.**

EXPECTED TIMETABLE^(note 1)

e-Refund payment instructions/Refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund check.

Applicants who apply on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all information required by Application Forms may collect refund checks and (where applicable) Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, July 8, 2014 or any other date notified by the Company in the newspaper as the date of dispatch of Share certificates/e-Refund payment instructions/refund checks. Individual applicants who opt for personal collection must not authorize any other person to make their collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorized representatives, each bearing a letter of authorization from such corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited at the time of collection. Uncollected Share certificates and refund checks will be dispatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required by Application Forms may collect their refund checks (if any) but may not elect to collect their Share certificates, which will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund checks for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares is the same as that for applicants who apply on **WHITE** Application Forms.

Share certificates for the Hong Kong Offer Shares to be distributed via CCASS are expected to be deposited into CCASS on Tuesday, July 8, 2014 for credit to the respective CCASS Participant's stock accounts designated by the International Underwriters, the purchasers or their agents, as the case may be.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details.

Applicants who apply through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the application payment account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund checks, by ordinary post at their own risk.

If you have applied for less than 1,000,000 Hong Kong Offer Shares or have applied for 1,000,000 Hong Kong Offer Shares or more but have not indicated in the application that you wish to collect Share certificates and/or refund checks, your Share certificates and/or refund checks will be dispatched by ordinary post at the applicant's own risk to the address specified on the Application Form.

Uncollected Share certificates and/or refund checks (if any) will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the Application Forms promptly after the expiry of the time for their collection. See the sub-section headed "How to Apply for Hong Kong Offer Shares – Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering. Information contained in our website, located at www.tiange.com, does not form part of this prospectus.

| | <u>Page</u> |
|---|-------------|
| Expected Timetable | i |
| Contents | iv |
| Summary | 1 |
| Definitions | 11 |
| Glossary | 26 |
| Forward-looking Statements | 28 |
| Risk Factors | 30 |
| Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance | 80 |

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Information about this Prospectus and the Global Offering | 88 |
| Directors and Parties Involved in the Global Offering | 92 |
| Corporate Information | 97 |
| Industry Overview | 99 |
| Regulatory Overview | 110 |
| History, Reorganization and Corporate Structure | 131 |
| Business | 155 |
| Relationship with Controlling Shareholders | 203 |
| Connected Transactions | 209 |
| Contractual Arrangements | 223 |
| Directors and Senior Management | 241 |
| Substantial Shareholders | 253 |
| Share Capital | 255 |
| Financial Information | 259 |
| Our Cornerstone Investors | 308 |
| Future Plans and Use of Proceeds | 318 |
| Underwriting | 320 |
| Structure of the Global Offering | 333 |
| How to Apply for Hong Kong Offer Shares | 343 |
| Appendix I – Accountant’s Report | I-1 |
| Appendix II – Unaudited Pro Forma Financial Information | II-1 |
| Appendix III – Summary of the Constitution of the Company and Cayman Companies Law | III-1 |
| Appendix IV – Statutory and General Information | IV-1 |
| Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection | V-1 |

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment in the Offer Shares. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed “Definitions” starting on page 11 and “Glossary” on page 26 of this prospectus.

BUSINESS OVERVIEW

Our mission is to bring optimism and joy to the masses through live social video interaction. We are the largest live social video platform in China in terms of total user spending. According to a report we commissioned from iResearch, our market share of China’s live social video community market in terms of total user spending was 33.9% in 2013, compared to 23.1% for our closest competitor in the same period. We currently operate eight “many-to-many” live social video communities, including 9158 Video Community and Sina Show, our two primary communities, and one “one-to-many” community, Sina Showcase.

Our Products and Services

Our platform has one of the most diverse selections of user-generated content in the live social video community industry. We design our core user experience attributes to be fun, convenient, innovative and interactive. Through our “many-to-many” video streaming model where multiple users can simultaneously stream to viewers in the same real-time video room, our platform enables people to interact and socialize with groups with similar interest. We encourage the sharing of interests and the showcase of talent and knowledge, and our user generated content gains open and public exposure. Each participant has the freedom to participate with hosts, users on air, and other users for an engaging, personalized and true community experience. We have real-time video rooms in genres such as music, talk shows, social networking, finance and education, giving viewers access to live and interactive user-generated content in different interest areas. We also offer a traditional “one-to-many” community that is more host-centric and caters to users with lower participation requirements.

We have a diversified selection of virtual gifts, which users can send to room hosts or other users as tokens of support or appreciation, and virtual items, which users can purchase for themselves and use to send expressions or graphics to entire rooms. As of December 31, 2013, we had over 910 types of virtual gifts and items for sale with a wide range of prices and effects, and average monthly virtual gifts exchanged between our platform’s users was over 5.7 billion in 2013. This has resulted in higher levels of engagement and monetization, with our platform’s average monthly active users, or MAUs, increasing from approximately 7.5 million in 2011 to 8.0 million and 10.8 million in 2012 and 2013, respectively, and average monthly paying users, or MPUs, increased from approximately 194,000 to 209,000 and 270,000 during the same periods.

With the rapid expansion of our platform’s user base, we have entered the online games market through Duoduo Games and our release of “Three Kingdoms”, a mobile game that we licensed from a third-party game developer. We currently expect to release an additional six to eight mobile games in 2014, certain of which with interactive video functions enabled by our technical knowhow. We expect to leverage our user base to publish these games with low user acquisition costs and high cross-promotion opportunities.

Our Revenue and Distribution Model

We generate revenues primarily through sales of virtual currency to our distributors. Users can purchase virtual goods (consisting of virtual gifts to send to hosts and other users and virtual items to use themselves) using virtual currency purchased from third-party sales agents or directly from us. To increase the operation efficiency of our live social video platform, we cooperate with third-party distributors, who are responsible for day-to-day management of sales agents and promotion functions, such as host recruitment and marketing. Distributors enter into annual distribution agreements with us, pursuant to which they have the right to purchase virtual currency from us on a set discounted basis. They then enter into sub-distribution agreements with sales agents, who are responsible for sales to end users. Each distributor is exclusively responsible for the sales of virtual currency on one or more of our live social video communities. Users can also purchase virtual currency directly from us online through third-party payment platforms such as China UnionPay, Alipay and IPS. Please refer to the sections headed “Business – Our Distribution Model” starting on page 171, “Business – Payment” starting on page 175, and “Business – Monetization” starting on page 176 for additional details regarding the revenue and distribution model for our live social video platform.

SUMMARY

We also generate revenues from sales of virtual items in our mobile game, “Three Kingdoms”, and historically have generated revenues from sales of virtual items on our web game platform. We also generate revenues from placing advertisements for SINA Group and third parties on our platform and software clients.

We have grown rapidly during the Track Record Period. Our revenue has increased from RMB384.4 million in 2011 to RMB455.8 million in 2012 and RMB548.2 million in 2013. We had net loss of RMB80.6 million, RMB27.2 million and RMB92.6 million in 2011, 2012 and 2013, respectively, and our adjusted net profit was RMB139.9 million, RMB158.4 million and RMB206.3 million during those same periods. Please refer to the section headed “Non-IFRS Measures” for details.”

Live Social Video Community Market

As a result of fast economic growth and urbanization, millions of people in China have moved to new environments with fast-paced lifestyles and a lack of established social networks. This, the social impact of a multi-decade single child policy and the increasing popularity of online entertainment in China due to high Internet penetration rates and growing broadband capacity, has contributed to the growth of the live social video community industry in China. The user base size of China’s live social video community industry has grown at a CAGR of 104.5%, from approximately 8.0 million in 2009 to 140.0 million in 2013, and is expected to further grow at a CAGR of 31.1% to approximately 414.0 million in 2017. During this period, total market size in terms of revenues generated increased from RMB220.0 million in 2009 to RMB3.8 billion in 2013 and is expected to grow to RMB13.3 billion in 2017. We are the leading live social video platform in China, with 33.9% of the market share in terms of user spending in 2013. By leveraging our technology and R&D capabilities, we were one of the first to develop and commercialize distributed video multicasting in China. Other players in this market include YY Music, Guagua.cn and 6.cn. However, our key differentiation is our focus on “many-to-many” real-time video streaming.

OUR STRENGTHS AND STRATEGIES

We believe the following key strengths distinguish us from our competitors and position us for significant growth in the future:

- Leading market position;
- Diverse and engaging content;
- Established and trusted ecosystem;
- Proven monetization model;
- Strong product development and engineering capabilities; and
- Seasoned management team with extensive industry experience and proven execution capabilities and strong shareholder support.

Our vision is to strengthen our position as the largest live social video platform in China. To that end, we have adopted the following key strategies:

- Continue to grow our user base;
- Further enhance user experience and engagement;
- Leverage our user base and proprietary technology to enhance and diversify monetization;
- Expand mobile offerings and cross-device capabilities;
- Selectively pursue business expansion via partnerships and acquisitions.

EFFECTS OF “CLEAN THE WEB 2014” CAMPAIGN

In April 2014, the Office of the Anti-Pornography and Illegal Publications Working Group (the “Office”), the State Internet Information Office, the MIIT and the Ministry of Public Security jointly launched an “Anti-Pornography and Illegal Publications – Clean the Web 2014” campaign (the “Campaign”), which would take place from April to November 2014. The Office, which was established in the form of its predecessor entity in 1989 and in its current form in 2000, the Working Group for Rectifying and Cleaning the Book, Newspaper and Periodical and Audio Markets, is not a government department that by itself has authority to impose any fine or sentence on entities which are found to be in violation of relevant PRC laws and regulations as a result of the Campaign. The Office coordinates the efforts of a number of regulatory departments, including the Ministry of Public Security, the State

SUMMARY

Administration of Press, Publication, Radio, Film and Television and the Ministry of Culture, with an aim to identifying and eliminating pornographic information and content in Internet information services such as web sites, search engines and other software and hardware. The Campaign is an active continuation and tightening of supervision enforcement of the existing laws and regulations overseeing content in Internet information services. The Campaign is aimed at finding and eliminating pornographic information and content in Internet information services such as web sites, search engines and other software and hardware, and may hold individuals and corporate entities who facilitate the transmission of pornographic information and content liable under PRC laws and regulations. For example, in May 2014, SINA Group announced that it had received two notices from the State Administration of Press, Publication, Radio, Film and Television stating that SINA Group's Internet Publication License and License for Online Transmission of Audio-Visual Programs would be revoked due to certain unhealthy and indecent content from third-parties or by users on its portal, i.e., on its online reading channel book.sina.com.cn and on its website www.sina.com.cn. Such licenses were subsequently revoked in accordance with the notices. We cannot assure you the PRC regulatory authorities will not deem us as facilitating the transmission of pornographic or other illegal information, although our business and operations since the start of the Campaign in April 2014 and up to the Latest Practicable Date, including our number of users, room managers and hosts and our total revenues have not been materially affected by this Campaign or any other regulatory efforts made by the relevant PRC regulatory authorities. Additionally, PRC laws and regulations and the regulatory environment governing live social video communities and other aspects of our business are constantly evolving and may be subject to changes that are not favorable to our business and operations. Please refer to the risk factor headed "Our business and operations may be materially and adversely affected by the PRC Government's "Clean the Web 2014" campaign and other Internet regulatory efforts" starting on page 34 of this prospectus.

COOPERATION ARRANGEMENT WITH SINA GROUP

Under the Series C Pre-IPO share subscription agreement, SINA Group agreed to engage in cooperation in certain areas with us. Such cooperation arrangement sets out high-level principles of the parties' cooperation, including the licensing of Sina Show trademarks and domain name, marketing and advertising. In connection with the cooperation arrangement, we and SINA Group have entered into ancillary agreements to set out the details of our cooperation, such as the Sina Show IP Agreements. Pursuant to the Sina Show IP Agreements, we were granted an exclusive right to operate, in cooperation with SINA Group, the Sina Show community and are entitled to all the revenues generated from the operation. In addition, in March 2014, we extended our Sina Show IP Agreements with SINA Group, pursuant to which SINA Group granted us a sole license to use at no cost, in connection with the operation of the relevant Sina platforms, the Sina Show Logos, as well as a non-exclusive right to use the Sina Show Trademarks. This license is valid until 2020.

The cooperation arrangement is mutually beneficial to us and SINA Group as SINA Group is entitled to sharing the proceeds generated from certain services under the cooperation arrangement, such as advertising, wireless payment and messaging services. Both parties intend to renew the Sina Show IP Agreements upon the expiration of their term, as demonstrated by an option to renew the term provided in the agreements.

CONTRACTUAL ARRANGEMENTS

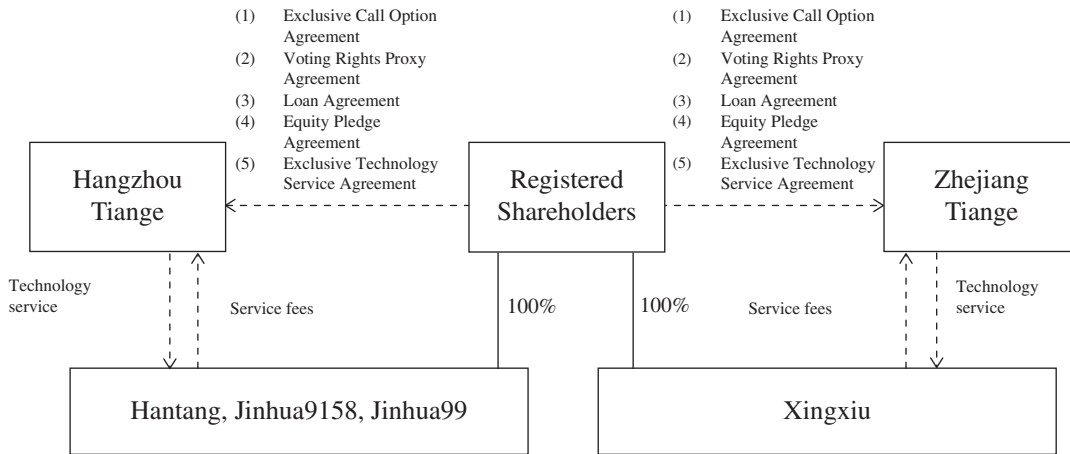
We are primarily engaged in the operation of our live social video platform, as well as mobile and other online games, which are considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. In order to achieve our business purposes and in line with common practice in Internet industries in China subject to foreign investment restrictions, our WFOEs, Hangzhou Tiange and Zhejiang Tiange, entered into the Contractual Arrangements with our PRC Operating Entities and their shareholders in order to conduct the Principal Business in the PRC and to assert management control over the operations of and enjoy all economic benefits of each of our PRC Operating Entities. Please refer to the section headed "Contractual Arrangements" starting on page 223 of this prospectus for further details.

Our PRC Legal Advisor is of the opinion that (i) except for dispute resolution provisions of the Contractual Agreements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration, the New Agreements, taken individually and collectively, are valid and legally binding, and (ii) each of the New Agreements does not fall within any of the circumstances under Article 52 of the PRC Contract Law, pursuant to which the relevant agreement would be determined to be invalid. In particular, the New Agreements will not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. If the PRC government or judicial authorities determines that we do not comply with applicable laws and regulations, they have broad discretion in imposing sanctions for such non-compliance.

SUMMARY

Please refer to the section headed “Risk Factors – Risks Related to Our Contractual Arrangements” starting on page 52 of this prospectus for details of risks relating to the Contractual Arrangements.

The following diagram illustrates the flow of economic interests from our PRC Operating Entities to our Group as stipulated under the Contractual Arrangements:



OUR SHAREHOLDING STRUCTURE

The Controlling Shareholders

Mr. Fu (through Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited and excluding his Pre-IPO RSUs) and, Mr. Fu Yanchang (through Star Wonder Holding Ltd and Cloud Investment Holding Limited) in aggregate own approximately 37.25% of the issued share capital of our Company immediately prior to the Global Offering. Therefore, Mr. Fu, Mr. Fu Yanchang, Three-Body Holdings Ltd, Star Wonder Holding Ltd, Blueberry Worldwide Holding Limited, Cloud Investment Holding Limited are our Controlling Shareholders. Following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options and any Shares to be issued pursuant to the Post-IPO RSU Scheme), the percentage of issued share capital owned by Mr. Fu (through Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited and excluding his Pre-IPO RSUs) and, Mr. Fu Yanchang, (through Star Wonder Holding Ltd and Cloud Investment Holding Limited) in aggregate will be diluted to approximately 27.94%.

None of our Controlling Shareholders has any interest in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business. Apart from the transactions set out in the sections headed “Contractual Arrangements” and “Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Our Directors believe that our Group is capable of carrying out our business independently from our Controlling Shareholders and their respective associates after the Global Offering. Please refer to the section headed “Relationship with Controlling Shareholders” starting on page 203 of this prospectus for details.

Pre-IPO Investors

The existing Pre-IPO Investors of our Company are (i) IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. (the “**Series B Pre-IPO Investors**”), which invested US\$5,100,000 in our Company, and (ii) SINA HK (the “**Series C Pre-IPO Investor**”), which invested US\$10,000,000 in our Company and entered into strategic cooperation with our Group as part of its investment. The Series B Pre-IPO Investors subscribed for Series B1 Preferred Shares on February 19, 2009 and exercised all the warrants to purchase Series B2 Preferred Shares on July 30, 2009, following which, the Series B Pre-IPO Investors held in aggregate approximately 29.2% of the then issued share capital of our Company at the time of the Series B Pre-IPO Investment. Upon the completion of the Series C Pre-IPO Investment on July 15, 2010, the Series C Pre-IPO Investor held approximately 33.13% of the then issued share capital of our Company at the time of the Series C Pre-IPO Investment.

Immediately following the completion of the Global offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options, or pursuant to the Post-IPO RSU Scheme), the Series B Pre-IPO Investors and the Series C Pre-IPO Investor will hold approximately 16.43% and 24.65% of the total issued share capital of our Company. Please refer to the section headed “History, Reorganization and Corporate Structure – Pre-IPO Investors” starting on page 144 of this prospectus for details.

SUMMARY

SHARE INCENTIVE SCHEMES

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to our Group, we adopted the Pre-IPO Share Option Scheme on December 9, 2008 and amended on October 21, 2011 and May 22, 2014, respectively and the Pre-IPO RSU Scheme on May 22, 2014. We also conditionally adopted the Post-IPO RSU Scheme and the Post-IPO Share Option scheme on June 16, 2014.

As at the Latest Practicable Date, options in respect of 8,845,575 Shares and 7,280,000 Pre-IPO RSUs were granted pursuant to the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme, respectively, which, following the Capitalization Issue, are expected to be adjusted to 88,455,750 Shares and 72,800,000 Pre-IPO RSUs, respectively and representing approximately 7.3% and 6.0% of the enlarged issued share capital of the Company immediately following completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme or the Shares which may be issued under the Post-IPO RSU Scheme), respectively. The principal terms of the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme, Post-IPO RSU Scheme and the Post-IPO Share Option Scheme are summarized in the section headed “Statutory and General Information – D. Share Incentive Schemes” in Appendix IV to this prospectus.

The options granted under the Pre-IPO Share Option Scheme represent approximately 7.3% of the enlarged issued share capital of our Company immediately after completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme or the Shares which may be issued under the Post-IPO RSU Scheme). If all the options are exercised, there would be a dilution effect on the shareholdings of our Shareholders of approximately 6.8%. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per Share may be staggered over several years.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth a summary of our financial information for the three years ended December 31, 2011, 2012 and 2013 and should be read in conjunction with our financial information included in the Accountants’ Report set out in Appendix I to this prospectus, including the notes thereto. The summary financial information has been prepared in accordance with IFRS. The basis of preparation is set forth in Note 2.1 of section II of the section headed “Appendix I – Accountants’ Report” in this prospectus.

Consolidated Statements of Comprehensive Income

| | For the Year Ended December 31, | | |
|--|---------------------------------|----------|----------|
| | 2011 | 2012 | 2013 |
| | RMB’000 | RMB’000 | RMB’000 |
| Revenue | 384,442 | 455,768 | 548,240 |
| Cost of revenue | (48,185) | (52,312) | (68,145) |
| Gross profit | 336,257 | 403,456 | 480,095 |
| Other gains, net ⁽¹⁾ | 6,429 | 30,441 | 35,399 |
| Operating profit | 139,864 | 163,286 | 226,465 |
| Loss for the year | (80,606) | (27,233) | (92,609) |
| Adjusted net profit ⁽²⁾ (unaudited) | 139,902 | 158,362 | 206,253 |

Notes:

- (1) Net other gains include investment interest and government grants, offset by net loss on disposal of property and equipment and other losses. We had government grants of RMB5.0 million, RMB22.2 million and RMB24.6 million for the years ended December 31, 2011, 2012 and 2013, respectively. Government grants consisted of tax-based subsidies we received from local government authorities to incentivize our business growth, technology awards from local government authorities in Hangzhou and Jinhua to reward our achievements and support our development in information service industries, and scientific project funding from local government authorities to fund our qualified technology research projects.

SUMMARY

- (2) The following table reconciles our adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS.

| | For the Year Ended December 31, | | |
|---|--|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Loss for the year | (80,606) | (27,233) | (92,609) |
| Add: | | | |
| Share-based compensation expenses | 3,907 | 5,478 | 5,555 |
| Fair value loss of convertible redeemable preferred shares and redeemable ordinary shares | 216,601 | 172,949 | 283,298 |
| Loss/(gain) on repurchase of preferred shares | – | 7,168 | (32,284) |
| Dividend appropriation to preferred shareholders | – | – | 35,280 |
| Listing expenses | – | – | 7,013 |
| Adjusted net profit (unaudited) | 139,902 | 158,362 | 206,253 |

Selected Consolidated Balance Sheet Items

| | As of December 31, | | |
|-----------------------------------|---------------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Current assets | 344,032 | 505,875 | 592,501 |
| Current liabilities | 103,012 | 212,836 | 299,719 |
| Total assets | 388,972 | 641,280 | 844,386 |
| Total liabilities | 524,327 | 568,854 | 928,045 |
| Share capital | 23 | 42 | 42 |
| Reserves | 36,958 | 272,730 | 205,408 |
| Accumulated deficits | (172,336) | (200,346) | (294,006) |
| Total (deficits)/equity | (135,355) | 72,426 | (83,659) |

Consolidated Statements of Cash Flows

| | For the Year Ended December 31, | | |
|---|--|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Cash generated from operations | 182,080 | 222,884 | 198,349 |
| Income tax paid | (4,787) | (7,224) | (22,000) |
| Net cash generated from operating activities | 177,293 | 215,660 | 176,349 |
| Net cash used in investing activities | (171,549) | (260,151) | (158,396) |
| Net cash generated from financing activities | 50,757 | 6,182 | 15,617 |
| Net increase/(decrease) in cash and cash equivalents | 56,501 | (38,309) | 33,570 |
| Cash and cash equivalents at beginning of year | 118,586 | 174,944 | 136,637 |
| Exchange losses/(gains) on cash and cash equivalents | (143) | 2 | 1,689 |
| Cash and cash equivalents at the end of the year | 174,944 | 136,637 | 171,896 |

SUMMARY

Key Financial Ratios

| | As of December 31, | | |
|--|--------------------|--------|---------|
| | 2011 | 2012 | 2013 |
| Gross margin ⁽¹⁾ | 87.5% | 88.5% | 87.6% |
| Operating margin ⁽²⁾ | 36.4% | 35.8% | 41.3% |
| Net margin ⁽³⁾ | (21.0)% | (6.0)% | (16.9)% |
| Adjusted net margin ⁽⁴⁾ | 36.4% | 34.7% | 37.6% |
| Current ratio (times) ⁽⁵⁾ | 3.3 | 2.4 | 2.0 |
| Adjusted return on equity ⁽⁶⁾ | 49.1% | 37.0% | 44.4% |
| Adjusted return on total assets ⁽⁷⁾ | 36.0% | 24.7% | 24.4% |

Notes:

- (1) Gross margin is calculated by dividing gross profit by revenue for the year.
- (2) Operating margin is calculated by dividing operating profit by revenue for the year.
- (3) Net margin is calculated by dividing loss for the year by revenue for the year.
- (4) Adjusted net margin is calculated by dividing adjusted net profit by revenue for the year. Please refer to the section headed "Financial Information – Non-IFRS Measures" starting on page 283 of this prospectus for details.
- (5) Current ratio equals current assets divided by current liabilities for the year.
- (6) Adjusted return on equity equals adjusted net profit for the year divided by adjusted equity at the end of the year, multiplied by 100%. Adjusted equity is total equity/(deficits) plus convertible redeemable preferred shares and redeemable ordinary shares as set out on our consolidated balance sheet.
- (7) Adjusted return on total assets equals adjusted net profit for the year divided by total assets at the end of the year and multiplied by 100%.

SELECTED OPERATING DATA

Our revenue is affected by three key metrics: (i) monthly active users, or MAUs; (ii) monthly paying users, or MPUs; and (iii) average revenue per MPU, or ARPU. MAUs refer to the number of registered users who access our products or services at least once in the relevant month. MPUs refer to the number of users who pay for our products or services at least once in the relevant month. ARPU refers to revenue per MPU, calculated as revenue in a particular month divided by MPUs in that month. Average monthly ARPU is calculated as average monthly revenue in a particular period divided by the average MPUs in that period.

The following table sets forth our relevant operating data for our live social video platform for the periods indicated:

| | For the Year Ended December 31, | | |
|---------------------------------------|---------------------------------|-------|--------|
| | 2011 | 2012 | 2013 |
| Live Social Video Platform: | | | |
| Average MAUs (in thousands) | 7,458 | 7,979 | 10,819 |
| Average MPUs (in thousands) | 194 | 209 | 270 |
| Average monthly ARPU (RMB) | 160 | 174 | 163 |

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of RMB8.2 million, of which RMB7.0 million was charged to our consolidated statements of comprehensive income, while the remaining amount of RMB1.2 million was recorded as incremental costs directly attributable to the proposed issue of new Share under the Global Offering. Such amount has been included as deferred listing expenses in our consolidated balance sheet as at December 31, 2013, and will be capitalized and deducted from the Group's share premium upon the completion of the Global Offering. We expect to further incur additional listing expenses of RMB21.3 million (excluding the underwriting commission and sponsor fees) until the completion of the Global Offering, out of which approximately RMB15.1 million will be recognized in the consolidated statements of comprehensive income for the year ending December 31, 2014, and approximately RMB6.2 million will be deducted from the Group's share premium.

SUMMARY

GLOBAL OFFERING STATISTICS

All statistics in this table are based on the assumption that the Over-Allotment Option is not exercised.

| | Based on minimum indicative Offer Price of HK\$4.50 | Based on maximum indicative Offer Price of HK\$5.30 |
|---|---|---|
| Market capitalization of our Shares ⁽¹⁾ . . . | HK\$5,476.8 million | HK\$6,450.5 million |
| Unaudited pro forma adjusted net tangible asset ⁽²⁾ | HK\$1,837.2 million | HK\$2,080.6 million |

Notes:

- (1) The calculation of market capitalization is based on the 1,217,067,000 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) Our unaudited pro forma net tangible assets per Ordinary Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,217,067,000 Shares were in issue on an as converted basis assuming that the Global Offering has been completed on December 31, 2013, not taking into account any Share which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed “Share Capital,” and any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Scheme or upon the vesting of restricted share units granted under the Pre-IPO RSU Scheme and any Shares which may be issued upon the exercise of share options that may be granted under the Post-IPO Share Option Scheme or upon the vesting of restricted share units that may be granted under the Post-IPO RSU Scheme.

DIVIDENDS

In January 2013, we declared dividends of US\$20.0 million to holders of our ordinary shares, Series A Preferred Shares and Series B Preferred Shares, of which US\$7.8 million has been paid and US\$12.2 million remain payable as of December 31, 2013 had been settled prior to the completion of the Global Offering. We do not have a set dividend payout ratio.

FUTURE PLANS AND USE OF PROCEEDS

See the section headed “Business – Our Strategies” for a detailed description of our future plans.

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$4.90 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$1,387.0 million, after deduction of underwriting fees and commissions and other estimated expenses payable by us in connection with the Global Offering and assuming that the Over-allotment option is not exercise.

If the Offer Price is fixed at HK\$5.30 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$121.6 million.

If the Offer Price is fixed at HK\$4.50 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK\$121.6 million.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 20%, or HK\$277.4 million, will be used for enhancing our research and development efforts, including improving our existing platform’s functionality, developing new social video communities, investing in technology infrastructure and improving network maintenance and safety;
- approximately 20%, or HK\$277.4 million, will be used to develop our mobile business related to our live social video platform and a multi-platform, cross-device user experience, which involves the hiring experienced personnel in the mobile sector and increased research and development efforts;
- approximately 10%, or HK\$138.7 million, will be used to develop our mobile games business, including for additional research and development efforts in developing our own mobile games, outsourcing of game development and licensing of third-party games;
- approximately 20%, or HK\$277.4 million, will be used for expanding our marketing and promotion activities, including organizing additional sales and promotional events both online and offline and hiring additional sales and marketing personnel;

SUMMARY

- approximately 20%, or HK\$277.4 million, will be used for potential acquisitions of technologies and complementary online businesses, partnerships and licensing opportunities, such as in the live social video market and mobile games market; as of the Latest Practicable Date, we have not identified any specific suitable target of acquisition; and
- approximately 10%, or HK\$138.7 million, will be used to provide funding for our working capital and other general corporate purposes.

Our product development and business operating model requires flexibility in investment in the development of new live social video communities and other products and technologies to allow us to respond to changing user preferences and needs. Capital and resources are committed to a live social video community or other product or technology based on various factors, including the popularity and commercial viability of the product at a certain point in time. As such, initial development costs for new products and technologies are not substantial and research and development costs for new communities, products and technologies are incurred on a case-by-case basis, subject to adjustments based on market conditions and other factors. Therefore, estimated figures such as development costs and expected timeframes cannot be accurately determined and presented to potential investors in a meaningful fashion.

The use of proceeds shown above will be adjusted proportionally in the event that the final Offer Price is fixed at a higher or lower level compared to the midpoint of the offer price range or that the Over-allotment Option is exercised.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will invest the net proceeds in short-term demand deposits or money market instruments with reputable commercial banks in China or Hong Kong.

RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks related to our business, risks related to our Contractual Arrangements, risks related to our industry and risks related to conducting business in the PRC. As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed “Risk Factors” starting on page 30 of this prospectus carefully before you decide to invest in the Offer Shares. Some of the major risks we face include:

- our limited operating history makes it difficult to evaluate our business and growth prospects;
- our business is based on a relatively new business model that may not be successful;
- we face risks and uncertainties regarding the growth of the live social video community industry and market acceptance of our products and services;
- our business and operations may be materially and adversely affected by the PRC Government’s “Clean the Web 2014” campaign and other Internet regulatory efforts, which is subject to change in line with the PRC regulatory environment for our industry; the Campaign is aimed at finding and eliminating pornographic information and content in Internet information services, and may hold individuals and corporate entities who facilitate the transmission of pornographic information and content liable under PRC laws and regulations; although our business and operations since the start of the Campaign have not been materially affected, we cannot assure that PRC regulatory authorities will not deem us as facilitating the transmission of pornographic or other illegal information;
- we may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, and PRC authorities may impose legal sanctions on us;
- we rely on our distributors and sales agents for the distribution of our virtual currency, and our failure to effectively manage our distributors and maintain a good relationship with them may materially and adversely affect our revenue realization and brand recognition;
- our business may suffer if we fail to acquire new users, retain our existing users and convert active users to paying users;
- if the PRC Government finds our Contractual Arrangements to be in violation of PRC laws, we could be subject to penalties or be forced to relinquish our interests in the PRC Operating Entities; and
- our Contractual Arrangements may not be as effective as direct ownership in providing operational control over our PRC Operating Entities.

SUMMARY

NON-COMPLIANCE

Two of our Internet games (including 26 game units currently operated and 3 game units to be operated) and one of our mobile game failed to obtain GAPP approvals prior to their publication. We did not complete the required content review and filing recording process in respect of these games with the MOC within the time limit as well. Such failure may subject us to a maximum fine of RMB540,000 and/or other administrative penalties. As of the Latest Practicable Date, we have obtained GAPP approval for our mobile game, and have submitted the required materials to relevant government agencies for one Internet Game (including 18 game units), which has passed review by the local counterpart of GAPP in Zhejiang Province and is under review by the GAPP at central level. Starting from April 2014, we have submitted required materials for the remaining Internet game (including 8 game units we currently operate and 3 game units to be operated) to the relevant authorities, and will obtain the GAPP approval and complete the filing with the MOC in due course. We had one violation of the PRC exchange settlement regulations in 2012. We received administration penalty of RMB200,000 for the violation. To avoid similar oversight in the future, we have taken serious measures to improve our financial reporting internal control mechanism, mainly through implementing additional and more stringent internal control policies. For details, please see “Business – Legal Compliance and Proceedings – Non-Compliance” and “Risk Factors – Risks Related to Our Business – Past incidents of non-compliance with PRC laws and regulations may subject us to administrative penalties, which may materially and adversely affect our business operations.”

RECENT DEVELOPMENTS

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2013, the date of the latest audited consolidated financial statements of our Group. None of our revenue, gross profit, gross profit margin, MAUs, MPUs and ARPU has changed materially and adversely since December 31, 2013.

For the year ending December 31, 2014, we expect to incur fair value loss of our convertible redeemable preferred shares. Upon the completion of the Global Offering, the difference between the fair value of our convertible redeemable preferred shares as of December 31, 2013 and the fair value upon the completion of the Global Offering will be recognized as fair value gain or loss in our income statement in 2014. Assuming the completion of the Global Offering in the year ending December 31, 2014 with the indicative Offer Price ranging from HK\$4.50 to HK\$5.30, the estimated total fair value loss to be recorded in relation to our convertible redeemable preferred shares for the year ending December 31, 2014 would be approximately HK\$202.7 million to HK\$362.7 million. Upon the completion of the Global Offering, our convertible redeemable preferred shares will be automatically converted into our Ordinary Shares on a one-to-one basis, and there will be no fair value gain or loss associated with our convertible redeemable preferred shares for any financial period after December 31, 2014. In addition, the liabilities for our convertible redeemable preferred shares will be derecognized and accounted as an increase in our share capital and capital reserve.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in “Glossary.”

| | |
|--|--|
| “Application Form(s)” | WHITE, YELLOW and GREEN application form(s) or, where the context requires, any of them relating to the Global Offering |
| “Articles of Association” or “Articles” | our articles of association of the Company that were conditionally adopted on June 16, 2014, which will become effective upon the Listing Date, as amended from time to time, a summary of which is contained in Appendix III to this prospectus |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Audit Committee” | the audit committee of the Board |
| “Beijing SINA” | Beijing SINA Internet Information Service Co., Ltd. (北京新浪互聯信息服務有限公司), a limited company incorporated under the laws of the PRC on October 28, 1999, a subsidiary of SINA HK and a connected person of our Company |
| “Beijing Star World” | Beijing Star World Technology Co., Ltd. (北京世界星輝科技有限責任公司), a limited company incorporated under the laws of the PRC on October 12, 2009 and an Independent Third Party of our Company (other than its equity interest in Tianhu) |
| “Board of Directors” or “Board” or “our Board” | our board of Directors |
| “Business Day” or “business day” | any day (other than a Saturday, Sunday or public holiday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business to the public |
| “BVI” | the British Virgin Islands |
| “CAGR” | compound annual growth rate |

DEFINITIONS

| | |
|-------------------------------|---|
| “Capitalization Issue” | the issue of Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Appendix IV – Statutory and General Information – A. Further Information About Our Company – 5. Written Resolutions Passed by Our Shareholders” in this prospectus |
| “Cayman Companies Law” | the Companies Law of the Cayman Islands, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCASS Clearing Participant” | a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant |
| “CCASS Custodian Participant” | a person admitted to participate in CCASS as a custodian participant |
| “CCASS Investor Participant” | a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation |
| “CCASS Participant” | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| “China” or “PRC” | the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, Macau and Taiwan |
| “CICC” | China International Capital Corporation Hong Kong Securities Limited |
| “CNNIC” | China Internet Network Information Center |
| “Companies Ordinance” | the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |

DEFINITIONS

| | |
|---|--|
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Company,” “our Company”, “we”, “us” or “our” | Tian Ge Interactive Holdings Limited (天鵠互動控股有限公司) (formerly known as Week8 International), an exempted company with limited liability incorporated under the laws of the Cayman Islands on July 28, 2008 |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “connected transaction” | has the meaning ascribed to it under the Listing Rules |
| “Contractual Arrangements” | a series of contractual arrangements entered into by Hangzhou Tiange, Zhejiang Tiange with the PRC Operating Entities and their respective shareholders, details of which are described in the section headed “Contractual Arrangements” |
| “Controlling Shareholders” | has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, collectively refers to as Blueberry Worldwide Holdings Limited, Cloud Investment Holding Limited, Three-Body Holdings Ltd, Star Wonder Holding Ltd, Mr. Fu and Mr. Fu Yanchang (傅延長) |
| “CSRC” | China Securities Regulatory Commission |
| “Director(s)” or “our Director(s)” | the director(s) of our Company or any one of them |
| “EIT Law” | the PRC Enterprise Income Tax Law passed by the National People’s Congress of the PRC on March 16, 2007 and taking effect on January 1, 2008, as amended, supplemented and otherwise modified from time to time |
| “Founder” or “Mr. Fu” | the founder of our Group, namely, Mr. Fu Zhengjun (傅政軍) |
| “GAPP” | General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) (currently known as the State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China (中華人民共和國國家新聞出版廣電總局)) |

DEFINITIONS

| | |
|--|---|
| “GDP” | gross domestic product |
| “Global Offering” | the Hong Kong Public Offering and the International Offering |
| “ GREEN application form” | the application form to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited |
| “Group”, “our Group” or “the Group” | our Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as the subsidiaries of the our Company by virtue of the Contractual Arrangements), or where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be) and the PRC Operating Entities |
| “Haitong International” | Haitong International Securities Company Limited |
| “Hangzhou Tiange” | Tiange Technology (Hangzhou) Co., Ltd. (天格科技(杭州)有限公司), a company established under the laws of the PRC on November 26, 2008 and an indirect wholly-owned subsidiary of our Company |
| “Hantang” | Hangzhou Hantang Cultural Communication Co., Ltd. (杭州漢唐文化傳播有限公司), an operating company of our Group established under the laws of the PRC on September 14, 2004 and owned as to 98% by Mr. Fu and 2% by Mr. Fu Yanchang, and controlled by our Group through the Contractual Arrangements |
| “HK\$” or “Hong Kong dollars” or “HK dollars” or “cents” | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “HKSCC Nominees” | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |

DEFINITIONS

| | |
|--|--|
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Offer Shares” | 30,428,000 Shares (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) initially being offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering |
| “Hong Kong Public Offering” | the offering of initially 30,428,000 Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering”) at the Offer Price and on the terms and subject to the conditions described in this prospectus and the Application Forms |
| “Hong Kong Share Registrar” | Computershare Hong Kong Investor Services Limited |
| “Hong Kong Stock Exchange” or “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Hong Kong Underwriters” | the underwriters for the Hong Kong Public Offering as listed in the sub-section headed “Underwriting – Hong Kong Underwriters” in this prospectus |
| “Hong Kong Underwriting Agreement” | the Hong Kong underwriting agreement dated June 24, 2014 relating to the Hong Kong Public Offering entered into among our Company, the Controlling Shareholders, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters |
| “ICP license” | a value-added telecommunications business operation license issued by the relevant PRC government authorities with a service scope of information services |
| “IFRS” | International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board |
| “Independent Third Party(ies)” | any person or entity and any of their respective ultimate beneficial owner, who/which, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of our Company as defined under the Listing Rules |

DEFINITIONS

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| “International Offer Shares” | 273,839,000 Shares (subject to adjustment and the exercise of the Over-allotment Option as described in the section headed “Structure of the Global Offering” in this prospectus), which are the subject of the International Offering |
| “International Offering” | the offer of the International Offer Shares at the Offer Price to institutional, professional, corporate and other investors (other than to retail investors in Hong Kong), as further described in the section headed “Structure of the Global Offering” in this prospectus |
| “International Underwriters” | the underwriters of the International Offering |
| “International Underwriting Agreement” | the international underwriting agreement relating to the International Offering to be entered into among our Company, the Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators and the International Underwriters on or about June 30, 2014 |
| “iResearch” | Shanghai iResearch Co., Ltd. |
| “Jinhua9158” | Jinhua9158 Network Science and Technology Co., Ltd. (金華就約我吧網絡科技有限公司), an operating company of our Group established under the laws of the PRC on November 18, 2008 and owned as to 98% by Mr. Fu and 2% by Mr. Fu Yanchang (傅延長), and controlled by our Group through the Contractual Arrangements |
| “Jinhua99” | Jinhua99 Information Technology Co., Ltd. (金華玖玖信息技術有限公司), an operating company of our Group established under the laws of the PRC on November 18, 2008 and owned as to 98% by Mr. Fu and 2% by Mr. Fu Yanchang (傅延長), and controlled by our Group through the Contractual Arrangements |
| “Joint Bookrunners” | UBS AG, Hong Kong Branch, CICC, Haitong International, Jefferies Hong Kong Limited, Pacific Crest Securities LLC and CMB International Capital Limited |
| “Joint Global Coordinators” | UBS AG, Hong Kong Branch and CICC |

DEFINITIONS

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| “Joint Lead Managers” | UBS AG, Hong Kong Branch, CICC, Haitong International, Jefferies Hong Kong Limited and CMB International Capital Limited |
| “Joint Sponsors” | UBS Securities Hong Kong Limited and CICC |
| “Latest Practicable Date” | June 16, 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus |
| “Listing” | the listing of the Shares on the Main Board of the Stock Exchange |
| “Listing Committee” | the listing sub-committee of the board of directors of the Stock Exchange |
| “Listing Date” | the date expected to be on or about July 9, 2014, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time) |
| “Main Board” | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market |
| “Maximum Offer Price” | HK\$5.30 (being the high end of the Offer Price range stated in this prospectus) |
| “Memorandum of Association” or “Memorandum” | the memorandum of association of our Company conditionally adopted on June 16, 2014, which will become effective upon the Listing Date, as amended from time to time |
| “MIIT” | Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry) |

DEFINITIONS

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| “MOC” | Ministry of Culture of the PRC (中華人民共和國文化部) |
| “MOFCOM” | Ministry of Commerce of the PRC (中華人民共和國商務部), or its competent local branches |
| “Mr. Fu’s Trust” | a discretionary trust set up by Mr. Fu for which UBS Trustees (BVI) Limited acts as the trustee, and the beneficiaries of which are Mr. Fu and Mr. Fu Yanchang |
| “Mr. Fu Yanchang’s Trust” | a discretionary trust set up by Mr. Fu Yanchang (傅延長) for which UBS Trustees (BVI) Limited acts as the trustee, and the beneficiaries of which are Mr. Fu Yanchang and Mr. Fu |
| “Nomination Committee” | the nomination committee of the Board |
| “Offer Price” | the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK\$5.30 and expected to be not less than HK\$4.50, at which Hong Kong Offer Shares are to be subscribed for and to be determined in the manner further described in the section headed “Structure of the Global Offering – Pricing and Allocation” in this prospectus |
| “Offer Shares” | the Hong Kong Offer Shares and the International Offer Shares, where relevant, together with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option |
| “Over-allotment Option” | the option we expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters pursuant to the International Underwriting Agreement |
| “PBOC Rate” | the exchange rate for foreign exchange transactions set daily by the People’s Bank of China based on the China interbank foreign exchange market rate of the previous day and with reference to current exchange rates on the world financial markets |

DEFINITIONS

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| “Post-IPO RSU Scheme” | the post-IPO restricted share unit scheme of our Company approved and adopted by the Shareholders on June 16, 2014, a summary of the principal terms of which is set out in the section headed “Statutory and General Information – D. Share Incentive Schemes – 4. Post-IPO RSU Scheme” in Appendix IV to this prospectus |
| “Post-IPO Share Option(s)” | option(s) to be granted under the Post-IPO Share Option Scheme |
| “Post-IPO Share Option Scheme” | the post-IPO share option scheme conditionally adopted by the Shareholders on June 16, 2014, a summary of the principal terms of which is set out in the section headed “Appendix IV – Statutory and General Information – D. Share Incentive Schemes – 5. Post-IPO Share Option Scheme” in this prospectus |
| “PRC Legal Advisor” | Fangda Partners |
| “PRC Operating Entities” or “our PRC Operating Entities” | Hantang, Jinhua9158, Jinhua99 and Xingxiu, each a “PRC Operating Entity” or “our PRC Operating Entity” |
| “PRC Supreme Court” | The Supreme People’s Court of the PRC |
| “Pre-IPO Investments” | Series B Pre-IPO Investment and Series C Pre-IPO Investment, details of which are set out in the section headed “Our History, Reorganization and Corporate Structure” in this prospectus |
| “Pre-IPO RSU(s)” | the pre-IPO restricted share unit granted under the Pre-IPO RSU Scheme |
| “Pre-IPO RSU Scheme” | the pre-IPO restricted share unit scheme of our Company approved and adopted by the Shareholders on May 22, 2014, a summary of the principal terms of which are set out in the section headed “Statutory and General Information – D. Share Incentive Schemes – 2. Pre-IPO RSU Scheme” in Appendix IV to this prospectus |
| “Pre-IPO RSU Trustee” | The Core Trust Company Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Pre-IPO RSU Scheme |

DEFINITIONS

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| “Pre-IPO Shareholders” | holders of issued share capital of the Company whose names appear on the register of members of the Company as at the Latest Practicable Date |
| “Pre-IPO Share Option(s)” | option(s) granted under the Pre-IPO Share Option Scheme |
| “Pre-IPO Share Option Scheme” | the pre-IPO share option scheme approved and adopted by our Shareholders on December 9, 2008, which was amended and restated on October 21, 2011 and May 22, 2014, a summary of the principal terms is set out in the section headed “Appendix IV – Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Option Scheme” in this prospectus |
| “Price Determination Agreement” | the agreement to be entered into among our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) on the Price Determination Date to record and fix the Offer Price |
| “Price Determination Date” | the date, expected to be on or around June 30, 2014 (Hong Kong time) and in any event no later than July 4, 2014, on which the Offer Price is to be determined and fixed by the Price Determination Agreement |
| “prospectus” | this prospectus being issued in connection with the Hong Kong Public Offering |
| “QIBs” | qualified institutional buyers within the meaning of Rule 144A |
| “Qihoo 360” | Qihoo 360 Technology Co. Ltd., a limited liability company incorporated in the Cayman Islands and a connected person (as defined in the Listing Rules effective at the date of this Prospectus) of our Company |
| “Regulation S” | Regulation S under the U.S. Securities Act |
| “Remuneration Committee” | the remuneration committee of the Board |
| “Renminbi” or “RMB” | Renminbi yuan, the lawful currency of the PRC |

DEFINITIONS

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| “Reorganization” | the reorganization arrangements undergone by our Group in preparation for the Listing as described in the section headed “History, Reorganization and Corporate Structure” in this prospectus |
| “RSU” | restricted share unit |
| “Rule 144A” | Rule 144A under the U.S. Securities Act |
| “SAFE” | the State Administration of Foreign Exchange in the People’s Republic of China, and its branch(es) (中華人民共和國國家外匯管理局) |
| “SAFE Circular 75” | Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), which was promulgated by the State Administration of Foreign Exchange on October 21, 2005 and took effect on November 1, 2005 |
| “Series A Preferred Shares” | the initial 15,000,000 Series A preference shares with par value of US\$0.0001 each in the capital of our Company and all of which were issued to the Series A Pre-IPO Investors on December 18, 2008 and subsequently repurchased and cancelled by our Company |
| “Series A Pre-IPO Investment” | US\$1.5 million by the Series A Pre-IPO Investors as consideration for 15,000,000 Series A Preferred Shares of our Company |
| “Series A Pre-IPO Investors” | C Squared Investment Inc. and C Squared Venture Capital Inc. |
| “Series B Director” | the Director appointed by Series B Pre-IPO Investors |
| “Series B Preferred Shares” | the Series B1 Preferred Shares and the Series B2 Preferred Shares |

DEFINITIONS

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| “Series B1 Preferred Shares” | the initial 10,000,000 Series B1 preference shares with par value of US\$0.0001 each in the capital of our Company and which were issued to the Series B Pre-IPO Investors in two tranches on December 30, 2008 and February 19, 2009 |
| “Series B2 Preferred Shares” | the initial 10,000,000 Series B2 preference shares with par value of US\$0.0001 each in the capital of our Company and which were issued to the Series B Pre-IPO Investors pursuant to an exercise of warrant on July 30, 2009 |
| “Series B Pre-IPO Investment” | US\$5.1 million by the Series B Pre-IPO Investors as consideration for 10,000,000 Series B1 Preferred Shares and warrants to purchase up to 10,000,000 Series B2 Preferred Shares of our Company |
| “Series B Pre-IPO Investors” | IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. |
| “Series C Preferred Shares” | the initial 20,000,000 Series C preference shares with par value of US\$0.0001 each in the capital of our Company which were issued to the Series C Pre-IPO Investors on July 15, 2010 and converted to 20,000,000 ordinary shares on January 4, 2012, and 10,000,000 redeemable ordinary shares with par value of US\$0.0001 each in the capital of our Company and which were issued to the Series C Pre-IPO Investors |
| “Series C Pre-IPO Investment” | consideration from SINA HK which includes, among others, US\$10 million for the issuance of 10,000,000 ordinary shares and 20,000,000 Series C Preferred Shares of our Company |
| “Series C Pre-IPO Investors” | SINA HK |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | ordinary shares of par value of US\$0.0001 each in the share capital of our Company |

DEFINITIONS

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| “Shareholder(s)” | holder(s) of Shares |
| “SINA Group” | SINA HK and its affiliates |
| “SINA HK” | SINA Hong Kong Limited, a limited company incorporated under the laws of Hong Kong on November 25, 1998 and a substantial shareholder of our Company |
| “Sina Show Domain” | has the meaning given to it in the section headed “Connected Transactions” in this prospectus |
| “Sina Show Domain Name Licensing Agreement” | has the meaning given to it in the section headed “Connected Transactions” in this prospectus |
| “Sina Show IP Agreements” | has the meaning given to it in the section headed “Connected Transactions” in this prospectus |
| “Sina Show Logos” | has the meaning given to it in the section headed “Connected Transactions” in this prospectus |
| “Sina Show Marks” | has the meaning given to it in the section headed “Connected Transactions” in this prospectus |
| “Sina Show Trademark Licensing Agreement” | has the meaning given to it in the section headed “Connected Transactions” in this prospectus |
| “Sina Show Trademarks” | has the meaning given to it in the section headed “Connected Transactions” in this prospectus |
| “Stabilizing Manager” | CICC |
| “Star Power” | Star Power Culture Media (Beijing) Co., Ltd. (新秀動力文化傳媒(北京)有限公司), a company established under the laws of the PRC on November 16, 2010 and an indirect wholly-owned subsidiary of our Company |
| “State Council” | State Council of the PRC (中華人民共和國國務院) |
| “Stock Borrowing Agreement” | the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager and Blueberry Worldwide Holdings Limited |

DEFINITIONS

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| “subsidiary(ies)” | has the meaning ascribed to it in section 15 of the Companies Ordinance |
| “substantial shareholder(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Takeovers Code” | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| “Tianhu” | Jinhua Tianhu Network Technology Co., Ltd. (金華天虎網絡科技有限公司), a company incorporated under the laws of the PRC and owned as to 51% by Jinhua9158 and 49% by Beijing Star World |
| “Track Record Period” | the periods comprising the three financial years ended December 31, 2011, 2012 and 2013 |
| “Underwriters” | the International Underwriters and the Hong Kong Underwriters |
| “Underwriting Agreements” | the International Underwriting Agreement and the Hong Kong Underwriting Agreement |
| “United States” or “U.S.” | the United States of America, as defined in Regulation S |
| “US\$”, “U.S. dollars” or “USD” | United States dollars, the lawful currency of the United States |
| “US GAAP” | Generally Accepted Accounting Principles in the U.S. |
| “U.S. Securities Act” | the United States Securities Act of 1933 (as amended, supplemented or otherwise modified from time to time), and the rules and regulations promulgated thereunder |
| “VAT” | value-added tax; all amounts are exclusive of VAT in this prospectus except indicated otherwise |
| “VIE” | variable interest entity |
| “Week8 HK” | Week8 Holdings (HK) Limited (星期八控股香港有限公司), a limited liability company incorporated in Hong Kong on August 6, 2008 and a direct wholly owned subsidiary of our Company |

DEFINITIONS

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| “WFOE” | wholly foreign owned enterprise, a special form of company in the PRC |
| “White Form eIPO” | the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.eipo.com.hk |
| “White Form eIPO Service Provider” | Computershare Hong Kong Investor Services Limited |
| “Xingxiu” | Jinhua Xingxiu Cultural Communication Co., Ltd. (金華星秀文化傳播有限公司), an operating company of our Group established under the laws of the PRC on October 23, 2012 and owned as to 98% by Mr. Fu and 2% by Mr. Fu Yanchang, and controlled by our Group through the Contractual Arrangements |
| “Zhejiang Tiange” | Zhejiang Tiange Information and Technology Co., Ltd. (浙江天格信息技術有限公司), a company established under the laws of the PRC on September 25, 2009 and an indirect wholly-owned subsidiary of our Company |

In this prospectus:

- *The English translation of the PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations in Chinese, etc., or another language included in this prospectus is included for identification purposes only. In the event of any inconsistency, the Chinese name or the names in their original languages prevails.*
- *Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of Latest Practicable Date.*
- *Unless otherwise specified, all references to any shareholdings in our Company assume that the Over-allotment Option has not been exercised and does not take into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options or pursuant to the Post-IPO RSU Scheme. Please refer to the section headed “Underwriting” and to Appendix IV.*
- *Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*
- *Unless otherwise specified, all references to “2011,” “2012” and “2013” are to the years ended December 31, 2011, 2012 and 2013, respectively.*

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

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| “ARPU” | average revenue per monthly paying user, calculated as revenue in a particular month divided by MPUs in that month. |
| “Average monthly ARPU” | average monthly revenue in a particular period divided by the average MPUs in that period. |
| “Hosts” | users who generate content, have host accounts and are deemed by us to be hosts. Hosts may receive marketing fees from distributors. |
| “MAUs” | the number of registered active users that accessed our products or services in the relevant month. |
| “MPUs” | the number of paying users for our products and services in the relevant month. |
| “O2O” | online-to-offline. |
| “PC” | desktop and laptop personal computers. |
| “Registered users” | the accumulated number of users who have registered an account on our live social video platform. A user who has registered accounts with two live social video communities is counted as two registered users. |
| “Tier 1 city” | State-directed economic centers, namely, Beijing, Shanghai, Guangzhou and Shenzhen. |
| “Tier 2 city” | Provincial capitals and select other cities (GDP>RMB300 billion, GDP per capita>RMB70,000 and population>5 million), namely, Hangzhou, Harbin, Changchun, Shenyang, Dalian, Shijiazhuang, Taiyuan, Jinan, Qingdao, Nanjing, Hefei, Fuzhou, Xiamen, Chengdu, Kunming, Guiyang, Xi’an, Lanzhou, Changsha, Wuhan, Nanchang, Zhengzhou, Nanning, Haikou, Lhasa, Yinchuan, Urumqi, Tianjin, Chongqing, Ningbo, Hohhot, Xining, Tangshan, Suzhou and Yantai. |

GLOSSARY

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| “Tier 3 and 4 cities” | Non-Tier 1 and Tier 2 prefecture cities. |
| “Users on air” | non-hosts who generate content, typically through singing songs or chatting via our rooms’ live stream video function. |
| “Virtual gifts” | virtual goods that can be sent to other users as a gesture of support or appreciation. |
| “Virtual goods” | Virtual gifts or virtual items. |
| “Virtual items” | virtual goods that are used by our platform’s users to display special effects and gain special powers or functions; virtual items cannot be sent to other users on the platform. |

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in the sections headed “Summary,” “Risk Factors,” “Future Plans and Use of Proceeds,” “Financial Information,” “Industry Overview” and “Business”. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors,” which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. These forward-looking statements include, among other things, statements relating to:

- our business strategies and initiatives as well as our business plans;
- our future business development, results of operations and financial condition;
- expected changes in our revenues and certain cost or expense items;
- our expectations with respect to increased revenue growth and our ability to sustain profitability;
- our services and products under development or planning;
- our ability to attract users and further enhance our brand recognition;
- our dividend distribution plans;
- trends and competition in the live social video community market and the mobile games market; and
- changes in general economic, regulatory and operating conditions in the markets in which we operate.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in the section entitled “Risk Factors.”

FORWARD-LOOKING STATEMENTS

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus completely and with the understanding that our actual future results or performance may be materially different from what we expect.

RISK FACTORS

Investing in our Shares involves risks. Before deciding to invest in the Shares, you should carefully consider all of the information in this prospectus, including the following risk factors, in light of the circumstances and your own investment objectives. The occurrence of any of the following events could materially adversely affect our business, financial condition and results of operations, in which case the trading price of our Shares could also decline, and you could lose part or all of your investment. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that may differ significantly from that of other countries.

There are certain risks and uncertainties involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to our business; (ii) risks related to our Contractual Arrangements; (iii) risks related to our industry; (iv) risks related to the PRC; and (v) risks related to the Global Offering.

RISKS RELATED TO OUR BUSINESS

Our limited operating history makes it difficult to evaluate our business and growth prospects.

Our operations commenced in 2008 when we launched our first live social video community, 9158 Video Community. We experienced rapid growth in the number of active and paying users and revenues during the Track Record Period. However, our growth during the Track Record Period may not be indicative of our future performance. Our growth prospects should be considered in light of the risks and uncertainties that fast-growing companies with limited operating history in our industry may encounter, including, among others, risks and uncertainties regarding our ability to:

- retain existing users and attract new users for our live social video platform;
- develop new virtual goods, content genres, functions and services that are appealing to users and commercially successful;
- maintain our diverse selection of user-generated content through retain popular hosts and performers and recruit new users on air as hosts;
- maintain stable relationships with our distributors and sales agents;
- anticipate and adapt to changing user preferences, industry trends and heightened competition;
- adopt successful monetization measures and increase user engagement level and monetization;

RISK FACTORS

- upgrade existing technology and infrastructure and develop new technologies to support increasing user traffic, improve user experience, expand functionality and ensure system stability;
- expand to new markets in the Internet sector;
- expand to new geographic markets, such as Chinese-language regions;
- increase brand awareness through marketing and promotional activities;
- manage our increasing size, including controlling our costs, establish sufficient internal controls, attract and retain talent, as well as maintain and upgrade our network infrastructure and information technology system; and
- maintain our profit margin, which is affected by factors including revenue growth, research and development investments and labor costs.

Addressing these risks and uncertainties will require significant capital expenditures and allocation of valuable management and employee resources. If we fail to successfully address any of the above risks and uncertainties, our revenues and operating margins may decline.

Furthermore, we have experienced a period of rapid growth and expansion that has placed, and continues to place, significant strain on our management and resources. This level of growth may not be sustainable or achieved at all in the future. To manage our growth and attain and maintain profitability, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with users, distributors, sales agents, customers and partners. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures. If we do not effectively manage our growth or implement our future business strategies effectively, our business and results of operations will be materially and adversely affected.

Additionally, for the year ending December 31, 2014, we expect to incur fair value loss of our convertible redeemable preferred shares. Upon the completion of the Global Offering, the difference between the fair value of our convertible redeemable preferred shares as of December 31, 2013 and the fair value upon the completion of the Global Offering will be recognized as fair value gain or loss in our income statement in 2014. Assuming the completion of the Global Offering in the year ending December 31, 2014 with the indicative Offer Price ranging from HK\$4.50 to HK\$5.30, the estimated total fair value loss to be recorded in relation to our convertible redeemable preferred shares for the year ending December 31, 2014 would be approximately HK\$202.7 million to HK\$362.7 million. This loss will have a material and adverse impact on our net profit for the year ending December 31, 2014.

Our business is based on a relatively new business model that may not be successful.

Many of the elements of our business are unique, evolving and relatively unproven. The markets for live social video products and services and online video in general are relatively new and rapidly developing, and are subject to significant challenges. Our business plan relies

RISK FACTORS

heavily upon increased revenues from the sale of virtual currency, which may be used to purchase virtual goods on our live social video platform, and our ability to successfully monetize our user base and products and services, and we may not succeed in any of these respects. Additionally, we primarily offer a “many-to-many” video streaming model, which allows multiple users to stream content at the same time to users in the same real-time video room. This model is relatively distinct from the traditional “one-to-many” model operated by our competitors, and may face challenges such as higher bandwidth requirements.

Some of our current monetization methods are in a preliminary stage. For example, we began offering virtual goods on 9158 Video Community in 2008. If we fail to properly manage the supply of our virtual goods and appropriate price points, our users may be less likely to purchase virtual goods from us. We consider industry standards and expected user demand in determining how to most effectively optimize virtual item merchandizing. Furthermore, as the live social video community industry in China is relatively young and untested, there are few proven methods of projecting user demand or available industry standards on which we can rely. Our attempts to monetize our user base and products and services may not be successful, profitable or widely accepted and therefore the future revenue and income potential of our business are difficult to evaluate.

We face risks and uncertainties regarding the growth of the live social video community industry and market acceptance of our products and services.

The live social video community industry is a relatively new and evolving industry. The growth of the live social video community industry and the level of demand and market acceptance of our products and services are subject to a high degree of uncertainty. Our future operating results will depend on a number of factors, some of which are beyond our control. These factors include:

- the growth of Internet and mobile Internet user base in China;
- whether the live social video community industry in China continues to grow and the rate of any such growth;
- user consumption behavior in the live social video community industry;
- user acceptance of the “many-to-many” video streaming model;
- general economic conditions, particularly economic conditions would adversely affect discretionary spending on entertainment;
- our ability to timely update our platform and products and services and introduce other new online entertainment products that attract existing and new users;
- the availability and popularity of other forms of online and mobile entertainment which may compete with us; and
- the growth of other markets that we may enter into from time to time.

RISK FACTORS

If we fail to anticipate and effectively manage these risks and uncertainties, our market share may decrease, and our business, financial condition and results of operations may be materially and adversely affected.

We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, and PRC authorities may impose legal sanctions on us.

Our live social video platform enables users to perform in real time musical acts, exchange information, interact with others and engage in various other online activities. However, our platform does not require real-name registration and identity verification by our hosts and users, and because a majority of the video and audio communications on our platform is conducted in real time, we are unable to examine the content generated by our hosts and users on air before they are streamed on platform. We require all users to agree to our terms of service upon account registration. Our terms of service set out types of content strictly prohibited on our platform, and we have also developed a robust content monitoring system, including our proprietary detection technology, which identifies certain features of the human body, such as skin tone, to automatically filter certain types of suspected inappropriate content for further review by our content monitoring team, as well as random checks of rooms and during periods commonly associated with potential violations of our terms of service.

However, due to the immense quantity of user-generated content on our platform, our system may not be able to detect all violations of our terms of service and inappropriate content streamed or displayed over our platform. For example, although our system takes a snapshot for each video stream every one to three minutes to detect indecent or inappropriate content, such content may appear in between screenshots or random manual room checks by our content monitoring staff and therefore would not be captured by our system. Additionally, our proprietary detection software is designed to detect sexually suggestive content through body and skin features, and is unable to detect certain other types of inappropriate content, such as drug use and politically sensitive content. For example, in August 2011, the Jinhua City Municipal Public Security Bureau investigated an incident of drug use being streamed through our platform. It subsequently issued a confirmation to us that our Company fully cooperated and assisted with its investigation with respect to this incident of drug use appearing on our platform and that we did not violate any laws or regulations. However, although we continuously use our best efforts to monitor content on our platform, we are unable to detect every incident of inappropriate content on our platform, and as such we cannot assure you that relevant government authorities will not hold us liable for any future incidents of inappropriate content on our platform.

Additionally, although we report violations of our terms of service to PRC local authorities, such authorities may not take any action with respect to these violations on a timely basis, if at all. Therefore, it is possible that our users may engage in illegal, obscene or incendiary conversations or activities on our platform that may be deemed illegal under PRC laws and regulations. We may be subject to fines or other disciplinary actions, including in serious cases suspension or revocation of the licenses necessary to operate our platform, if we

RISK FACTORS

are deemed to have facilitated the appearance of inappropriate content placed by third parties on our platform under PRC laws and regulations. Additionally, we may face claims for defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other theories and claims based on the nature and content of the information delivered on or otherwise accessed through our platform. Defending any such actions could be costly and involve significant time and attention of our management and other resources, which would materially and adversely affect our business and operations.

Negative publicity regarding the content on our platform may materially and adversely affect our reputation, business and growth prospects.

In recent years, there have been negative reports in the media and on the Internet regarding the nature of our business and our user-generated content, including with respect to offensive or inappropriate sexual content, drug use and gambling on our platform. The dissemination of these reports to the public has adversely affected and may continue to adversely affect our reputation, which could negatively impact our business, operations and growth prospects. These adverse effects to our reputation may negatively affect the growth of our user base, and we may incur significant sales and marketing expenses in remedying the effects of these negative reports, which may materially and adversely affect our results of operations.

Our business and operations may be materially and adversely affected by the PRC Government's "Clean the Web 2014" campaign and other Internet regulatory efforts.

In April 2014, the Office of the Anti-Pornography and Illegal Publications Working Group (the "**Office**"), the State Internet Information Office, the MIIT and the Ministry of Public Security jointly launched an "Anti-Pornography and Illegal Publications – Clean the Web 2014" campaign (the "**Campaign**"), which would take place from April to November 2014. The Office, which was established in the form of its predecessor entity in 1989 and in its current form in 2000, the Working Group for Rectifying and Cleaning the Book, Newspaper and Periodical and Audio Markets, is not a government department that by itself has authority to impose any fine or sentence on entities which are found to be in violation of relevant PRC laws and regulations as a result of the Campaign. The Office coordinates the efforts of a number of regulatory departments, including the Ministry of Public Security, the State Administration of Press, Publication, Radio, Film and Television and the Ministry of Culture, with an aim to identifying and eliminating pornographic information and content in Internet information services such as web sites, search engines and other software and hardware. The Campaign is an active continuation and tightening of supervision enforcement of the existing laws and regulations overseeing content in Internet information services. The Campaign is aimed at finding and eliminating pornographic information and content in Internet information services such as web sites, search engines and other software and hardware, and may hold individuals and corporate entities who facilitate the transmission of pornographic information and content liable under PRC laws and regulations. For example, in May 2014, SINA Group announced that it had received two notices from the State Administration of Press, Publication, Radio, Film and Television stating that SINA Group's Internet Publication License and License

RISK FACTORS

for Online Transmission of Audio-Visual Programs would be revoked due to certain unhealthy and indecent content from third-parties or by users on its portal, i.e., on its online reading channel book.sina.com.cn and on its website www.sina.com.cn. Such licenses were subsequently revoked in accordance with the notices. We cannot assure you the PRC regulatory authorities will not deem us as facilitating the transmission of pornographic or other illegal information, although our business and operations since the start of the Campaign in April 2014 and up to the Latest Practicable Date, including our number of users, room managers and hosts and our total revenues have not been materially affected by this Campaign or any other regulatory efforts made by the relevant PRC regulatory authorities, and we have received (i) written confirmations from the Network Police Division of Hangzhou Municipal Bureau of Public Security (杭州市公安局網絡警察分局) and the Network Police Division of Jinhua Municipal Bureau of Public Security (金華市公安局網絡警察支隊) in May 2014 which have been certified by higher authority, namely the Network Police Corps of the Department of Public Security of Zhejiang Province (浙江省公安廳網絡警察總隊) in the same month and stated that they are not aware of any report or complaint against any of the PRC Operating Entities that they have been engaged in any illegal criminal activity, and (ii) written confirmation from the Zhejiang Provincial Department of Culture (浙江省文化廳) in May 2014 that none of the administrative enforcement authorities of the cultural market in Zhejiang Province has instituted any administrative proceedings and penalties against any of the PRC Operating Entities in 2014.

The Joint Sponsors and our PRC Legal Advisor have also conducted an interview with the Deputy Head of the Department of Information Technology and Data Publishing of the Administration of Press, Publication, Radio, Film and Television of Zhejiang Province (浙江省新聞出版廣電局科技與數字出版處) on May 8, 2014, during which, the Deputy Head confirmed that the laws and regulations applied in the Campaign are the same as those applied in their daily administration and supervision, and up until the date of the interview, Hantang, the PRC Operating Entity which operates online games, publishes games operated by our PRC Operating Entities and has obtained an Internet Publishing License from the GAPP, has not been penalized for any violation of relevant PRC laws and regulations.

However, pursuant to relevant PRC laws and regulations, the MOC and the GAPP also undertake the functions of supervising and monitoring nation-wide Internet cultural business activities and Internet publications respectively, and have jurisdiction over the PRC Operating Entities; further, an Internet-based criminal case may be potentially subject to jurisdictions of various public security authorities, and authorities outside Zhejiang Province may also have jurisdiction to initiate cases against the PRC Operating Entities. The Company is unable to obtain confirmations from the GAPP and the MOC, as well as each public security authority outside Zhejiang Province. Also see the section headed “Business – Content Monitoring System.”

In addition, the laws and regulations governing the live social video community and online game industries in China and the regulatory environment are constantly developing and subject to future changes, which may not be favorable to our business and operations. If we are deemed to have violated PRC regulations on our platform related to pornographic and other improper content, our reputation may be harmed, our Internet Publication License and other licenses required for our business may be revoked, and our business and operations may be materially and adversely affected.

RISK FACTORS

We rely on our distributors and sales agents for the distribution of our virtual currency. Our failure to effectively manage our distributors and maintain a good relationship with them may materially, and adversely affect our revenue realization and brand recognition.

We rely on third-party distributors to distribute our virtual currency. We enter into annual distribution agreements with our distributors pursuant to which each of our distributors is responsible for the sales and promotion of our virtual currency for one or more of our communities. As of December 31, 2013, we had three distributors and approximately 1,200 sales agents. In 2011, 2012 and 2013, our top distributor accounted for 36.5%, 33.4% and 28.6% of our total cash proceeds received from sales of our virtual currency, respectively. In 2013, our only four distributors accounted for 68.4% of our total cash proceeds received from sales of our virtual currency, and in 2011 and 2012, our top five distributors accounted for 66.5% and 69.1% of our total cash proceeds received from sales of our virtual currency, respectively. Each of our communities is serviced by one distributor, who may engage a number of sales agents to distribute our virtual currency to users. There may not be a sufficient number of distributors that meet our standards. In the event that an existing distributor fails to comply with the terms of our distribution agreement or meet satisfactory sales numbers, or if it becomes unable or unwilling to do business with us, we may not be able to find a satisfactory replacement within a short period of time and at reasonable costs, if at all, causing significant disruption to our virtual currency distribution network.

If we fail to maintain our relationship with our third-party distributors and sales agents, or if they go out of business, or fail to comply with our policies and requirements or provide satisfactory services to buyers of our virtual currency, our business and results of operations may be materially and adversely affected. Our distributors and sales agents, over whom we have limited control, may not distribute and promote our virtual currency in a manner required under their distribution and sub-distribution agreements. If we fail to effectively enforce the distribution agreements and maintain good relationships with our distributors and sales agents in order to ensure the smooth distribution of virtual currency, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We are subject to risks relating to our third-party online payment platforms.

We utilize third-party online payment platforms, such as IPS, China UnionPay and Alipay, to receive cash proceeds from sales of our virtual currency both through distributors (via sales agents) and direct purchases. Any scheduled or unscheduled interruption in the ability of our users to use these and other online payment platforms could adversely affect our payment collection, and in turn, our revenue. In addition, in online payment transactions, secure transmission of user information, such as debit and credit card numbers and expiration dates, personal information and billing addresses, over public networks, is essential to user privacy protection and maintaining their confidence in our platform. We do not have control over the security measures of our third-party payment platforms, and their security measures may not be adequate at present or may not be adequate with the expected increased usage of online payment platforms. We could be exposed to litigation and possible liability if online transaction safety of our users is compromised in transactions involving payments for our virtual currency,

RISK FACTORS

which could harm our reputation and our ability to attract users and may materially adversely affect our business. We also rely on the stability of such payment transmissions to ensure the continued payment services provided to our users. We do not have control over the security measures of these third-party online payment platforms. If any of these third-party online payment platforms fails to process, or ensure the security of, users' payments for any reason, our reputation will be damaged and we may lose our paying users and discourage the potential purchases, which in turn, will materially and adversely affect our business, financial condition and prospects.

If we fail to acquire new users, retain our existing users and convert active users to paying users, our business and results of operation may be materially and adversely affected.

As of December 31, 2011, 2012 and 2013, our live social video platform had 77.9 million, 143.9 million and 205.1 million registered users, respectively. In 2011, 2012 and 2013, our platform had average MAUs of approximately 7.5 million, 8.0 million and 10.8 million and average MPUs of approximately 194,000, 209,000 and 270,000.

In order to achieve sustainable revenue growth, we must attract new users, retain our existing users, and maximize the network effect on our platform, which are crucial to our monetization abilities. To retain our users, we must devote significant resources in marketing and promotion, research and development and customer service to ensure that our communities, user-generated content and virtual goods are constantly innovated so that our users remain interested and are eager to return to our platform on a regular basis. Additionally, we also rely on the efforts of our distributors, sales agents, room managers and hosts to keep our users engaged on our platform over a long period of time.

If we fail to keep up with our users' evolving needs and provide content, virtual goods and functions that are novel and engaging to our users on an ongoing basis, our communities may quickly lose their popularity among users and our business will suffer. Additionally, if we cannot retain our existing users and expand our user base, the network effect provided by the social nature of platform will diminish and the popularity of our communities and their profitability may be materially and adversely affected.

Our business may suffer if we fail to successfully optimize our pricing strategies.

In order to sustain our revenue growth, we must effectively monetize our users as currently only a small portion of our active users are paying users. We continuously conduct user data collection and analysis to better understand our users' consumption patterns. This allows us to develop virtual goods and design our membership bundles that are desirable to our users, as well as properly price them so that we can enhance our monetization abilities. Our users are willing to purchase virtual currency to redeem for virtual goods on our platform or gain membership privileges because of the perceived value of these products and services, which is dependent on the benefits such products and services confer upon the users in our online communities. Spending on our platform is discretionary and our users may be sensitive to the price of our virtual goods. It is crucial to balance between, on the one hand, creating

RISK FACTORS

sufficient monetization opportunities, which enhances the profitability of our platform and, on the other hand, allowing our platform to be enjoyable even without extra paid benefits, which helps to maintain a sizable user base and therefore the associated network effect. We must also ensure that the prices of virtual goods and membership bundles are set at reasonable levels. If we fail to manage our pricing strategies properly, our users may be less likely to spend on our platform, which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

The Internet industry is characterized by constant changes, including rapid technological evolution, continual shifts in customer demands, frequent introductions of new products and services and constant emergence of new industry standards and practices.

The Internet industry is characterized by constant changes, including rapid technological evolution, continual shifts in customer demands, frequent introductions of new products and services and constant emergence of new industry standards and practices. Thus, our success will depend, in part, on our ability to respond to these changes on a cost-effective and timely basis; failure to do so may cause our user base to shrink and user engagement level to decline, materially and adversely affecting our results of operations. For example, our “many-to-many” video streaming model has higher bandwidth requirements than traditional “one-to-many” models due to the increased amount of information needed to be transmitted. If we are unable to keep up with new bandwidth conservation and data transmission technologies, our video streaming model may impose higher technical requirements on users and adversely affect our user acquisition and retention rates. A decrease in the number of active users may reduce the diversity and vibrancy of our platform’s online social ecosystem and affect our user-generated content, which may in turn reduce our monetization opportunities and have a material and adverse effect on our business, financial condition and results of operations.

We cannot assure you that our platform will continue to be sufficiently popular with our users to offset the costs incurred to operate and expand it. We have historically relied on word of mouth referrals to increase user awareness of our products and services and to expand our user base. If we decide to engage in increased conventional advertising or marketing campaigns, our sales and marketing expenses will increase, which could have an adverse effect on our results of operations. Failure to maintain or grow our user base in a cost-effective manner, or at all, and keep our users highly engaged would materially and negatively affect our results of operations.

We face competition in several major aspects of our business. If we fail to compete effectively, we may lose users, which could materially and adversely affect our business, financial condition and results of operations.

Our primary competitors in the live social video community market include YY Music (operated by YY Inc.), Guagua.cn (operated by Beijing Enlight Media Co., Ltd.) and 6.cn (operated by Beijing Six Rooms Technology Co., Ltd.). In addition, we compete with other Internet companies that provide audio and video services to Chinese Internet users. We also compete for online advertising revenues with other Internet companies that sell online advertising services in China. Additionally, we may face potential competition from global online social networking service providers that seek to enter the China market, whether independently or through the formation of strategic alliances with, or acquisition of, PRC Internet companies.

RISK FACTORS

If we are not able to effectively compete with our competitors, our overall user base and level of user engagement may decrease, which could reduce our paying users. We may be required to spend additional resources to further increase our brand recognition and promote our products and services, and such additional spending could adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity to us, such disputes, regardless of their veracity or outcome, may harm our reputation or brand image and in turn lead to reduced number of users and advertisers. Our competitors may unilaterally decide to adopt a wide range of measures targeted at us, including possibly designing their products to negatively impact our operations, such as sending virus-like programs to attack elements of our platform. Any legal proceedings or measures we take in response to competition and disputes with our competitors may be expensive, time-consuming and disruptive to our operations and divert our management's attention.

Although we believe the entry barrier for industry is high, more companies may enter our industry in China. We may not be able to compete successfully against any new or existing competitors, or maintain our user base and active paying user number when competitors launch promotional campaigns targeting our user base, which could materially and adversely affect our revenues and profitability.

In addition, our users face a vast array of entertainment choices. Other forms of entertainment, such as traditional personal computer and console games, other Internet-based activities such as social networking and online video, as well as offline games and activities such as television, movies and sports, are much larger and more well-established markets and may be perceived by our users to offer greater variety, affordability, interactivity and enjoyment. Our platform competes against these other forms of entertainment for the discretionary time and spending of our users. If we are unable to sustain sufficient interest in our platform in comparison to other forms of entertainment, including new forms of entertainment that may emerge in the future, our business model may no longer be viable.

If we are unable to successfully capture and retain the growing number of users that access Internet services through mobile devices or successfully monetize our communities on mobile devices, our business, financial condition and results of operations may be materially and adversely affected.

All of our live social video communities are available to users from PCs, and all but two of our communities are available on mobile devices. As new laptops, mobile devices and operating systems are continually being released, it is difficult to predict the problems we may encounter in developing mobile apps for our products and services for use on these devices and operating systems, and we may need to devote significant resources to create, support and maintain these services. Devices providing access to our products and services are not manufactured and sold by us, and we cannot assure you that the manufacturers and/or sellers of these devices would always ensure that their devices perform reliably and are optimally compatible with our mobile apps. Any faulty connection between these devices and our products and services may result in users' dissatisfaction with us, which could damage our brand and have a material and adverse effect on our financial results. In addition, the lower

RISK FACTORS

resolution, functionality and memory associated with some mobile devices make the use of our products and services through such devices more difficult and the versions of our products and services we develop for these devices may fail to attract users. Manufacturers or distributors may establish unique technical standards for their devices and, as a result, our communities may not work or be viewable on these devices. Furthermore, new live social video communities or services that are specifically created to function on mobile operating systems may emerge, as compared to our platform that was originally designed to be accessed from PCs, and such new entrants may operate more effectively on mobile devices than our communities do. Also, we may not be able to add functionality to our mobile apps that are comparable to these mobile-focused communities.

If we are unable to attract and retain the increasing number of mobile users, or if we are slower than our competitors in developing attractive services adaptable for mobile devices, we may fail to capture a significant share of an increasingly important portion of the market or may lose existing users. In addition, even if we are able to retain the increasing number of mobile users, we may not be able to successfully monetize them in the future. For example, because of the inherent limitations of mobile devices, such as a smaller display screen space as compared to PCs, we may not be able to provide as many kinds of products and services through mobile devices, which may limit the monetization potential. Any of the above may have a material and adverse effect on our business, financial condition and results of operations.

Our growth prospects will suffer if we are unable to develop or publish successful mobile games or monetize such games.

Publishing mobile games that we self-develop, license from third-party developers or for which we outsourced the development of is an important part of our growth strategy. We have devoted and we expect to continue to devote substantial resources to self-developing, licensing and outsourcing of mobile games that we current publish or expect to publish, and we cannot guarantee that these games will become popular to users. In August 2013, we launched our first mobile game, Three Kingdoms, which we licensed from a third-party developer. We expect to publish an additional six to eight mobile games in 2014. However, Three Kingdoms and other mobile games that we launch may not be popular with users. In addition, we may not be able to monetize these mobile games to the extent to cover our costs and expenses of developing, licensing, outsourcing the development of or operating them.

Our limited experience with publishing and operating mobile games makes it difficult to predict whether we will succeed in our mobile games expansion strategy. For example, given the fast pace with which mobile games has been and will continue to be developed, we may not be able to continuously identify, license or develop, operate and upgrade games that are suitable for rapidly evolving mobile devices and platforms in a timely and cost-effectively manner, or at all. Additionally, we may not be able to anticipate and effectively respond to the interests of users on mobile devices and platforms, or effectively market our mobile games to our existing users and attract new mobile game users.

These and other uncertainties make it difficult to assess whether we will succeed in implementing our mobile strategy and developing commercially viable games for mobile devices. Any failure or delay in our efforts to implement our mobile games strategy will materially and adversely affect our business and growth prospects.

RISK FACTORS

We do not own the Sina Show Marks or Sina Show Domain Name, and rely on licensing arrangements with SINA Group for the use of these marks and domain name.

We do not own the Sina Show Marks or Sina Show Domain Name, and depend on licensing arrangements with SINA Group for the use of these marks and domain name in our operation of Sina Show, Sina Showcase and certain other products. In connection with the Series C Pre-IPO Investment, we and SINA Group have entered into the Sina Show IP Agreements, pursuant to which SINA Group granted us a sole license to use at no cost, in connection with Sina Show, Sina Showcase and certain other products, the Sina Show Logos and Sina Show Domain Name, as well as a non-exclusive right to use the Sina Show Trademarks. This license lasts until 2020. If the existing license agreements are terminated and we fail to enter into new arrangements with SINA Group, we will lose our rights to use the Sina Show Marks or the Sina Show Domain Name, which would cause severe disruption to our live social video platform's operations and have a material adverse effect on our business, financial condition, results of operations and prospects.

Additionally, in May 2014, SINA Group announced that it had received two notices from the State Administration of Press, Publication, Radio, Film and Television stating that SINA Group's Internet Publication License and License for Online Transmission of Audio-Visual Programs would be revoked due to certain unhealthy and indecent content from third-parties or by users on its portal, i.e., on its online reading channel book.sina.com.cn and on its website www.sina.com.cn. Information of the two Licenses has also been removed from the website of SINA Group, including book.sina.com.cn and www.sina.com.cn. During the Track Record Period and as of the Latest Practicable Date, the operation of Sina Show and Sina Showcase has been carried out by Xingxiu and Jinhua9158 respectively in cooperation with SINA Group, with reliance on the ICP License and Network Cultural Business Permit of SINA. Although our operation of Sina Show and Sina Showcase do not require SINA Group's Internet Publication License or License for Online Transmission of Audio-Visual Programs, we cannot assure you that SINA Group's licenses that are required for our operation of Sina Show and Sina Showcase (i.e., an ICP License and a Network Cultural Business Permit) will not be revoked in the future.

Trademarks registered, Internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites could cause confusion to our users, divert online users away from our products and services or harm our reputation.

Competitors and other third parties may purchase trademarks that are similar to ours and keywords that are confusingly similar to our brands or websites in Internet search engine advertising programs and in the header and text of the resulting sponsored links or advertisements in order to divert potential users from us to their websites. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may drive potential users away from our platform, which could harm our reputation and materially and adversely affect our results of operations.

RISK FACTORS

Unauthorized use of our intellectual properties by our distributors and other third parties and the expenses incurred in protecting our intellectual property rights may harm our brands and reputation and materially adversely affect our business.

We regard our copyrights, trademarks and other intellectual properties as critical to our success, and rely on a combination of trademark and copyright laws, trade secrets protection, restrictions on disclosure and other agreements that restrict the use of our intellectual properties to protect these rights. Although our contracts with distributors prohibit the unauthorized use of our brands, images, characters and other intellectual property rights, we cannot assure you that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Although we enter into confidentiality agreements and intellectual property ownership agreements with our employees, we cannot assure you that these confidentiality agreements will not be breached, that we will have adequate remedies for any breach, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

As of the Latest Practicable Date, we have received approval for 8 trademark registrations in China, and are in the process of applying for registration of an additional 105 and 14 trademarks in China and Hong Kong, respectively. In addition, we have obtained 219 copyright registrations. We also registered 37 domain names, including 9158.com, our primary operation website. While we actively take steps to protect our proprietary rights, such steps may not be adequate to prevent the infringement or misappropriation of our intellectual property. In addition, we cannot assure you that any of the above trademark applications will ultimately proceed to registration or will result in registration with adequate scope for our business. Some of our pending applications or registrations may be successfully challenged or invalidated by others. If our trademark applications are not successful, we may have to use different marks for affected products or services, or seek to enter into arrangements with any third parties who may have prior registrations, applications or rights, which might not be available on commercially reasonable terms, if at all.

Implementation of intellectual property laws in China has historically been lacking, primarily because of ambiguities in the laws and difficulties in enforcement. Accordingly, intellectual property right protection in China may not be as effective as in other jurisdictions with a more developed legal framework regulating intellectual property rights. Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as materially adversely affect our financial condition and results of operations.

RISK FACTORS

We may be subject to intellectual property infringement claims, which could be time-consuming and costly to defend and may result in diversion of our financial and management resources.

The validity, enforceability and scope of protection of intellectual property rights in online industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

We have implemented internal control measures to ensure that our video streaming and other technology, the design of our platform and communities and other intellectual property are original and do not infringe upon patents, valid copyrights or other intellectual property rights held by third parties. We also rely on intellectual properties owned by third parties for some functions available on our platform through licensing arrangements. We have not encountered any material legal claims relating to any intellectual property rights held by third parties during the Track Record Period and the subsequent period up to the Latest Practicable Date.

However, there is no guarantee that third-party right holders will not assert intellectual property infringement or other related claims against us in the future for our own intellectual property rights or intellectual property rights we sourced from third parties.

Content generated by our users through our platform, including real-time content, may potentially cause intellectual property related disputes. Under relevant PRC laws and regulations, Internet information service providers which provide storage space for users to upload works or links to contents provided by third parties could be held liable for copyright infringement under various circumstances, including situations where an Internet information service provider knows or should reasonably have known a copyright infringement through its platform but fails to take measures to remove or block or disconnects links to the relevant content, or, the Internet information service provider fails to take such measures upon receipt of the copyrights holder's notice of infringement. See "Regulatory Overview – Regulations on Intellectual Property – Copyright." However, to our knowledge, there is currently no regulation or settled court practice which provides clear guidance as to whether and under what circumstance would a real-time online platform such as our platform would be held liable for the unauthorized posting or live performances of copyrighted contents by our users.

If we are found to have violated the intellectual property rights of others, including failure to remove or block or disconnect links to any infringing content upon receipt of the copyright holder's notice, we may be enjoined from using such intellectual properties and be forced to pay fines and damages. In addition, we may incur substantial expenses and diversion of our financial and management resources in defending against these third-party infringement claims. Successful infringement or other intellectual property rights claims against us may result in substantial monetary liabilities, which may disrupt our operations and materially adversely affect our business, results of operations, financial condition and growth prospects. Any infringement claim, whether with merits or not, generates negative publicity which could harm our brand reputation. See "Regulatory Overview – Regulations on Intellectual Property – Copyright."

RISK FACTORS

In addition, historically, we offered functions, through our software, that enable users to sing with music available on a third-party public online platform. However, we cannot assure you that all the music provided through such third party public online platform is copyrighted. Our PRC Legal Advisor has advised us that an Internet information service provider that provides its users with search engine or link services should not be required to assume the indemnification liabilities if, after receiving a notice from the copyright holder, it disconnects the link to the allegedly infringing works, performances and audio/visual products pursuant to relevant regulations, unless it is aware of or should reasonably have known the infringement. Although we no longer offer such search and link functions, we cannot assure you that third parties will not bring claims against us for potential copyright infringement in the past by the third party public online platform. Additionally, we have implemented procedures to reduce such infringement risks by requiring users to acknowledge and agree to relevant terms of our user agreements that they would not perform or upload copyrighted content without proper authorization and that they will indemnify us for any relevant copyright infringement claims. We have also adopted internal measures to ensure prompt responses and actions to notices from copyright holders requesting removal of infringing content, if any. However, these procedures may not be effective in preventing unauthorized posting or use of copyrighted content on our platform or the infringement of other third party rights. For example, the acknowledgments and agreements by our users are not enforceable against third parties who may nevertheless file claims of copyright infringement against us. Furthermore, individual users who generate content that may infringe on copyrights of third parties on our platform may not be easily traceable, if at all, by a plaintiff who may then choose to file a claim against us, and these individual users may not have resources to fully indemnify us, if at all, for any such claims.

As of the Latest Practicable Date, we have obtained and are in the process of obtaining licenses for popular copyrighted songs as background music to the users of our software. In case such third parties that grant the licenses to us lack of sufficient rights or authorization to grant licenses to us, even though they have represented so in the respective license agreements, we may also be subject to claims from relevant rights holders and there is no guarantee that we would be fully indemnified by such third party licensor. As our business expands, the cost of carrying out these procedures and obtaining authorization and licenses for the growing content on our platform may increase, which may potentially have material and adverse effects on our results of operations.

Certain of our employees were previously employed at other companies, including our current and potential competitors. We also intend to hire additional personnel to expand our development team and technical support team. To the extent these employees are involved in the development of content or technology similar to ours at their former employers, we may become subject to claims that such employees or we may have appropriated proprietary information or intellectual properties of the former employers of our employees. If we fail to successfully defend such claims against us, our results of operations may be materially and adversely affected.

RISK FACTORS

Many of the online games we currently operate are still in the process of applying for pre-approval from the GAPP and filing with the MOC.

As stated in the section headed “Regulatory Overview – PRC Regulatory Framework” in this prospectus, publishing and commercial launch of online games is subject to pre-approval by the GAPP and filing with the MOC. Therefore, online games operated by us shall undertake the pre-approval and filing procedures with the GAPP and the MOC, respectively. Two Internet games (including 26 game units currently operated and 3 game units to be operated) and one mobile game we currently operate have not completed the filing process with the MOC nor obtained the pre-approval from the GAPP within the statutory time limit, and we have obtained GAPP approval for our mobile game, and are in the process of applying for pre-approval from the GAPP and filing with the MOC for the remaining games. If the online games operated on our platforms fail to complete such pre-approval and filing procedures in time, or at all, these games may be ordered to be suspended or ceased in operation, and the PRC Operating Entities may suffer certain adverse effect, including loss of revenue.

Past incidents of non-compliance with PRC laws and regulations may subject us to administrative penalties, which may adversely materially affect our business operations.

Operating in the PRC online industry requires numerous government filing, permits and approvals. We have in the past launched and operated products without obtaining all the relevant filings, permits or approvals.

As stated in “Business – Legal Compliance and Proceedings,” the publication and commercial operation of online games requires pre-approval of GAPP and the filing with the MOC after launch. However, we did not complete such procedures for our Internet games and mobile phone game within the time line required by relevant regulations. We are still in the process of applying for approvals from GAPP and filing with the MOC for our online games. Further, GAPP Notice requires game operators to obtain an Internet Publishing License for online game operation, though in practice, it is common that online game operators without such Internet Publishing License engage third party publishers with such license to publish online games and such practice is generally acceptable to GAPP. Among our PRC Operating Entities, only Hantang has obtained the Internet Publishing License and Jinhua9158, which also operates online games, publishes games through Hantang. As of the Latest Practicable Date, we have not received any notice of administrative investigation or penalties from the relevant authorities.

Past incidents of non-compliance as described above may subject us to fines and other administrative penalties, which may materially adversely affects our business and reputation. In addition, the suspension of the operation of our mobile and online platform, games or our other online products and services offerings due to similar non-compliance in the future may adversely materially affect our ability to retain our users.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy or security breaches.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our growing operations will place increasing pressure on our server and

RISK FACTORS

network capacities as we launch more platforms and further expand our player base. We may encounter problems when upgrading our systems or services and undetected programming errors, which could adversely affect the performance of our game operating systems and player experience. In addition, we rely on third-party service providers for certain key aspects of our network infrastructure and technology systems.

Our business depends on the performance and reliability of the Internet infrastructure in China. Almost all access to the Internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. We rely on this infrastructure to provide data communications primarily through local telecommunication lines and wireless telecommunication networks. In addition, the national networks in China are connected to the Internet through international gateways controlled by the PRC government. These international gateways are the only channels through which a domestic user can connect to the Internet and may not support the demand necessary for the continued growth in Internet usage. Although the PRC government has plans to develop the national information infrastructure, we cannot assure you that a sophisticated Internet infrastructure will be developed. In the event of disruptions, failures or other problems with China's Internet infrastructure, we or our users may not have access to alternative networks on a timely basis, if at all.

Furthermore, our infrastructure is also vulnerable to damages from fires, floods, earthquakes, power loss and telecommunication failures. Any network interruption or inadequacy that causes interruptions to our games or the access to our game operating systems, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our players' satisfaction, which in turn, will adversely affect our reputation, player base and future operations and financial condition.

We rely on third-party service providers for certain key aspects of our network infrastructure and information technology systems, including the storage and maintenance of our servers, data backup and recovery and collection of online payments.

In addition, any security breach caused by hackings, which involve efforts to gain unauthorized access to our information or systems, or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment, the intentional or inadvertent transmission of computer viruses and similar events or third-party actions could have a material and adverse effect on our business, financial condition and results of operations. Operations of our live social video communities involve the storage and transmission of our users' account information in our facilities and on our equipment, networks and corporate systems, which may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise. It may be difficult for us to respond to security breaches in a timely manner or at all. Any failure to maintain performance, reliability, security and availability of our network infrastructure to the satisfaction of our players may harm our reputation and our ability to retain existing users and attract new users. If an actual or perceived breach of our security occurs, user confidence in the effectiveness of our security measures could be harmed. As a result, we could lose users and suffer financial losses due to such events or in connection with the remediation efforts, investigation costs and system protection measures.

RISK FACTORS

Our failure to anticipate or successfully implement new technologies could render our proprietary technologies or platform unattractive or obsolete, and reduce our revenues and market share.

Our technological capabilities and infrastructure underlying our live social video platform are critical to our success. The Internet industry is subject to rapid technological changes and also evolving quickly in terms of technology innovation. We need to anticipate the emergence of new technologies and assess their market acceptance. We also need to invest significant resources, including financial resources, in research and development to keep pace with technological advances in order to make our development capabilities, our platform and mobile and other games competitive in the market. However, development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our development results. Our significant expenditures on research and development may not generate corresponding benefits. Given the fast pace with which the Internet technology has been and will continue to be developed, we may not be able to timely upgrade our video streaming technology our engines or the software framework for our platform development in an efficient and cost-effective manner, or at all. New technologies in programming or operations could render our technologies, our platform or products or services that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related product development costs, outsourcing costs and licensing fees, which could result in a decline in our revenues and market share.

We could be liable for our users' privacy being compromised which may materially adversely affect our reputation and business.

We receive, store and process personal information and other user data in our platform, which are subject to parties hack the accounts of our users to gain progression advantages, access these users' accounts, or for other purposes. We seek to provide a safe environment for our users by implementing sophisticated security mechanisms and robust content filters. For example, we can auto-detect and block the appearance of phone numbers or bank account numbers in our online communication interfaces. Online communications are also monitored by us to prevent the use of abusive language and other inappropriate behavior, and we impose bans of varying length on users who are found to have engaged in inappropriate behavior. We encourage users to report offenses or violations of our terms of service to us. Despite our efforts to employ security features to filter offensive content, monitor users' interactions and safeguard user information, there is no guarantee that we can successfully keep our users free from inappropriate behavior, offensive contact or other acts that violate the privacy of our users. Any failure or perceived failure by us to prevent our users' exposure to such infiltration, to comply with our privacy policies, our privacy-related obligations to users or other third parties, or any privacy laws or regulations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other player data, may result in governmental enforcement actions, litigation or public statements against us by our users, consumer advocacy groups or others, which would cause harm to our users and hurt our reputation among our users, which will materially adversely affect our business.

RISK FACTORS

Some of our users may make sales or purchases through unauthorized third party platforms of virtual currency we offer on our platform, which may affect our revenue-generating opportunities.

Some of our users may sell or purchase virtual currency through unauthorized third party sellers in exchange for real currency. When a user receives a virtual gift, that virtual gift is displayed in her profile permanently and can be shown off to other users. Additionally, the recipient will receive from us an amount of virtual currency equal to a percentage of the cost of the virtual gift. This percentage may vary from 0% to 80%, depending on the cost and rarity of the gift received. Users may sell our virtual currency through third-party payment platforms and effectively transfer this currency in part through giving virtual gifts. These unauthorized transactions are usually arranged on third party platforms which we do not and are unable to track or monitor. Accordingly, these unauthorized purchases and sales from third party sellers may affect our revenue-generating opportunities and may impede our revenue and profit growth by, among other things, reducing the revenues we could have generated and exerting downward pressure on the prices we charge for our virtual goods.

Future strategic alliances or acquisitions may have a material and adverse effect on our business, reputation and results of operations.

We may enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, although we have no current acquisition plans, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs.

RISK FACTORS

Our business depends substantially on the continuing efforts of our management and other key personnel, as well as a competent workforce that supports our existing operations and future growth. If we lose their services, our operations and growth prospects may be severely disrupted.

Our future success heavily depends upon the continuing services of our management and other key personnel. In particular, we rely on the expertise, experience and vision of our founder, chairman and chief executive officer, Mr. Fu, as well as other members of our senior management team. We also rely on the technical know-how and skills of other key personnel. If any of our senior management or key personnel becomes unable or unwilling to continue to contribute their services to us, we may not be able to replace them easily or at all. As a result, our business may be severely disrupted, our financial condition and results of operations may be materially adversely affected, and we may incur additional expenses to recruit, train and retain key personnel.

Moreover, if any of our management or key personnel joins a competitor or forms a competing company and launches products that compete against ours, we may lose know-how, trade secrets, key employees, distributors and other third party business partners, user base and market share. Each of our executive officers has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us. However, the non-competition provisions contained in these agreements may not be enforceable, especially in China, where most of these executive officers and key employees reside, on the ground that we have not provided adequate compensation to these executive officers for their non-competition obligations, which is required under the relevant PRC regulations.

Our existing operations and future growth require a sizeable and competent workforce. For example, the effective operation of our information technology system, call center, logistics and other back office functions depends in part on our professional employees. We also rely on experienced personnel for our online and offline businesses in technology, graphic design, operation and other functions to anticipate and effectively respond to changing user preferences and market trends. However, our industry is characterized by high demand and intense competition for talent. In order to retain talent, we may need to offer higher compensation, better trainings and more attractive career trajectory and other benefits to our employees, which may be costly and burdensome. We cannot assure you that we will be able to attract or retain a qualified workforce necessary to support our future growth. We may also fail to manage our relationship with our employees, and any disputes between us and our employees, or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, as our business has grown rapidly, our ability to train and integrate new employees into our operations may not meet the increasing demands of our business. Any of the above issues related to our workforce may materially adversely affect our operations and future growth.

RISK FACTORS

Our Controlling Shareholders have substantial influence over our company and their interests may not be aligned with the interests of other holders of our Shares.

Our founders, Mr. Fu (through Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited and excluding his Pre-IPO RSUs) and Mr. Fu Yanchang (through Star Wonder Holding Ltd and Cloud Investment Holding Limited) in aggregate, own 27.94% of our issued share capital upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Accordingly, our founders have substantial influence over our business by voting at the general meetings of shareholders, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election and change of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our Shares. The interests of our Controlling Shareholders may not align with those of our other shareholders, and we cannot assure you that our Controlling Shareholders will act entirely in our interest or that conflicts of interest will be resolved in our favor. These Controlling Shareholders may cause a merger, consolidation or change of control transaction even if it is opposed by our other shareholders, including those who purchase Shares in the Global Offering. On the other hand, they may prevent or delay us from entering into transactions that might be desirable to other shareholders, such as takeovers or changes in our control or management, causing loss of opportunities on the part of other shareholders.

If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to increasing the number of users and the level of engagement of our users and enhancing our attractiveness to advertisers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. We must continuously exercise strict quality control of our platform to ensure that our brand image is not tarnished by substandard products or services. We must also find ways to distinguish our platform from those of our competitors. If for any reason we are unable to maintain and enhance our brand recognition, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

Non-compliance on the part of third parties involved in our business could adversely affect our business.

Our distributors or other business partners or other third parties involved in our business through our business partners (such as contractors, agents or other third parties entered into business relationship with our third-party business partners) may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly

RISK FACTORS

or indirectly, disrupt our business. Although we conduct review of legal formalities and certifications before entering into contractual relationship with other businesses such as third party game developers, and take measures to reduce the risks that we may be exposed to in case of any non-compliance by third parties, we cannot be certain whether such third party has infringed or will infringe any third parties' legal rights or violate any regulatory requirements or rule out the likelihood of incurring any liabilities imposed on us due to any regulatory failures by third parties. We identify irregularities or noncompliance in the business practices of any parties with whom we pursue existing or future cooperation and we cannot assure you that any of these irregularities will be corrected in a prompt and proper manner. In addition, for those third parties actively involved in our business through our business partners such as our sales agents, we also request our business partners to supervise and administrate relevant business activities of such third parties, but we cannot assure you that our business partners will be able to supervise and administrate in an effective way. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation and in turn, our results of operations.

We have not purchased any insurance to cover our main assets and business and our limited insurance coverage could expose us to significant costs and business disruption.

We maintain insurance policies covering risks in line with industry standards. In line with industry standards, we do not maintain property insurance, key employee insurance or business interruption insurance. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. We also do not maintain business interruption insurance, key-man life insurance or litigation insurance. The insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. As such, we may not be able ensure certain risks related to our assets or business even if we desire to. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially adversely affected.

We have granted share options and restricted share units in the past and will continue to do so in the future, which may have an adverse effect on our future profit. Exercise of the share options and the vesting of the restricted share units granted will increase the number of our Shares in circulation, which may adversely affect the market price of our Shares.

We have adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme in order to incentivize our Directors, senior management members, employees and consultants for their contribution to the Group and to attract and retain suitable personnel to enhance the development of our Group. As at the

RISK FACTORS

Latest Practicable Date, 16,125,575 Shares underlying options and Pre-IPO RSUs were granted pursuant to the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme which following the Capitalization Issue, is expected to be adjusted to 161,255,750 Shares, representing approximately 13.25% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme or the Shares which may be issued under the Post-IPO RSU Scheme). We are authorized to grant 33,250,950 share options and 24,341,340 restricted share units under our Post-IPO Share Option Scheme and Post-IPO RSU Scheme, respectively, after the Listing but before the conclusion of the next annual general meeting of the Company. The fair value of the services received in exchange for the grant of the share options and restricted share units are recognized as share-based compensation expenses which affects our profits for the period. In 2011, 2012 and 2013, we recorded share-based compensation expenses of RMB3.9 million, RMB5.5 million and RMB5.6 million, respectively. We may also adopt additional equity incentive plans in the future, and our results of operations may be adversely affected if we grant options under such plans.

In addition, the exercise of options we have granted, or any other share-based awards that we may issue, will result in dilution of the percentage ownership of our Shareholders, as well as our earnings per Share and our net asset value per Share. Any actual or perceived sales of the additional Shares acquired upon the exercise of the Pre-IPO Share Options Scheme we have granted, or any other incentive plans that may be adopted by us in the future, may adversely affect the market price of our Shares.

RISKS RELATED TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our online businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our PRC Operating Entities.

We are a Cayman Islands company and our wholly-owned PRC subsidiaries, Hangzhou Tiange and Zhejiang Tiange, are considered as foreign-invested enterprises. The PRC government restricts foreign investment in telecommunications and online cultural businesses. See “Regulatory Overview – Regulations on Value-added Telecommunications Business” and “Regulatory Overview – Regulations on Online Cultural Business”. Due to these restrictions, we conduct our operations in China through our PRC Operating Entities, Hantang, Jinhua9158, Jinhua99 and Xingxiu. Although we do not have any equity interest in our PRC Operating Entities, we are able to exercise effective control over our PRC Operating Entities and receive substantially all of the economic benefits of their operations through the Contractual Arrangements with our PRC Operating Entities and their shareholders. For a description of the Contractual Arrangements, see “Contractual Arrangements.”

RISK FACTORS

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知), or the MIIT Circular, which reiterated restrictions on foreign investment in telecommunications businesses. Under the MIIT Circular, a domestic company that holds an ICP License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to provide ICP services illegally in China. Due to a lack of interpretative materials from the authorities, we cannot assure you that the MIIT will not consider our corporate structure and the Contractual Arrangements as a kind of foreign investment in telecommunication services, in which case we may be found in violation of the MIIT Notice.

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”) issued by the State Council on December 11, 2001 and amended on September 10, 2008, foreign investors’ ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate (i) a good track record and (ii) experience in providing value-added telecommunications services (the “**Qualification Requirement**”). However, Zhejiang counterpart of the MIIT did not specify during interviews with our PRC Legal Advisor what constitutes “a good track record” and stated there are no specific written guidelines in this regard. As such, our PRC Legal Advisor takes the view that the details of the Qualification Requirement are subject to the discretion of the MIIT when it handles the specific applications from foreign investors intending to set up a foreign-invested value-added telecommunications enterprise under the FITE Regulations. We have started taking steps, and plan to take additional steps, to build up our track record of overseas telecommunications business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of our PRC Operating Entities when the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and businesses are lifted. For details of such steps taken or to be taken, please refer to the section headed “Contractual Arrangements – Introduction” in this prospectus. However, we cannot assure you that the steps we have taken or plan to take will be ultimately sufficient to satisfy the Qualification Requirement. Further, we may be required to unwind the Contractual Arrangements before we are in a position to comply with the Qualification Requirement or the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and business are lifted.

RISK FACTORS

On September 28, 2009, the GAPP and other government authorities jointly published the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (《關於貫徹落實國務院<“三定”規定>和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》), or the GAPP Notice. The GAPP Notice prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. As no detailed interpretation of the GAPP Notice has been issued to date, it is not clear how the GAPP Notice will be implemented. Furthermore, as some other primary government regulators, such as the MOFCOM, the MOC and the MIIT, did not join the GAPP in issuing the GAPP Notice, the scope of the implementation and enforcement of the GAPP Notice remains uncertain.

In or around September 2011, various media sources reported that the CSRC had prepared a report proposing regulating the use of the VIE structures, such as ours, in industry sectors subject to foreign investment restrictions in China and overseas listings by China-based companies. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to the VIE structures will be adopted or if adopted, what they would provide.

In addition, several recent articles, including an article published in early June 2013 on The New York Times and another one on The Economic Observer (經濟觀察報), reported discussions that a recent PRC Supreme Court decision and two VIE structure-related arbitration decisions in Shanghai had cast doubt on the validity of the contractual arrangements for the VIE structure. According to these articles, the PRC Supreme Court ruled in late 2012 that an entrustment agreement entered into by and between a Hong Kong company and a PRC domestic entity, which was purported to enable such Hong Kong company to make equity investment in a PRC bank through the proxy PRC domestic entity, was void on the ground that this agreement established an entrustment relationship meant to circumvent the PRC laws and regulations that prohibit foreign investment in PRC financial institutions and as such, constituted an act of concealing illegal intentions with a legitimated form. These articles argued that as the contractual arrangement in a VIE structure and the entrustment agreement in the cited case were similar in that the contractual arrangements in the VIE structure were also designed to “get around” the regulatory restrictions on foreign investment in certain industries. As such, the articles noted that this Supreme Court decision might increase the uncertainties relating to the PRC government’s view on the validity of the contractual arrangements used in the VIE structure. These articles also reported, without providing sufficient details, that two arbitration decisions by the Shanghai CIETAC which invalidated the contractual arrangements used in a VIE structure in 2010 and 2011.

Our PRC Legal Advisor, Fangda Partners, is of the opinion that (i) the ownership structure of the WFOEs and the PRC Operating Entities does not violate prevailing PRC laws and regulations, (ii) except for certain dispute resolution clauses of the Contractual Agreements

RISK FACTORS

regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration, see “– Certain terms of the Contractual Agreements may not be enforceable under PRC laws,” the Contractual Agreements, taken individually or collectively, are valid and legally binding, and (iii) each of the Contractual Agreements entered into by the Group does not fall within any of the circumstances (including, without limitation, “concealing illegal intentions with a lawful form”) under Article 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid.

However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. If the PRC government or judicial authorities determines that we do not comply with applicable laws and regulations, it could have broad discretion in dealing with such non-compliance, including:

- requiring the nullification of the Contractual Arrangements;
- levying fines and/or confiscating the proceeds generated from the operations under the Contractual Arrangements;
- revocation of the business licenses or operating licenses of our WFOEs or PRC Operating Entities;
- discontinuing or placing restrictions or onerous conditions on the business operations of our WFOEs or PRC Operating Entities;
- imposing conditions or requirements which we may not be able to comply with or satisfy;
- requiring us to undergo a costly and disruptive restructuring; and
- taking other regulatory or enforcement actions that could be harmful to or even shut down our business.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on our ability to conduct our business. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of our PRC Operating Entities or our right to receive its economic benefits, we would no longer be able to consolidate the financial results of our PRC Operating Entities.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Our PRC Operating Entities or its shareholders may fail to perform their obligations under our Contractual Arrangements.

Since PRC laws limit foreign equity ownership in Internet and other related businesses in China, we operate our platform through our PRC Operating Entities. Substantially all of our revenue and cash flow are attributed to our PRC Operating Entities. We have no equity

RISK FACTORS

ownership interests in our PRC Operating Entities and rely on the Contractual Arrangements with our PRC Operating Entities and their shareholders to control and operate our business in China. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over our PRC Operating Entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our PRC Operating Entities, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, as a legal matter, if our PRC Operating Entities or their shareholders fails to perform its, his or her respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. For example, if the shareholders of our PRC Operating Entities were to refuse to transfer their equity interests in our PRC Operating Entities to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. Also see “– Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”

We may lose the ability to use and enjoy assets held by our PRC Operating Entities that are material to our business operations if our PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Our PRC Operating Entities holds assets that are material to our business operations. The Contractual Arrangements with our PRC Operating Entities contain terms that specifically obligate their shareholders to ensure the valid existence of our PRC Operating Entities and that our PRC Operating Entities may not be voluntarily liquidated. However, should the shareholders breach this obligation and voluntarily liquidate our PRC Operating Entities, or should our PRC Operating Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business operations, which could materially adversely affect our business, financial condition and results of operations.

The shareholders of our PRC Operating Entities may have conflicts of interest with us, which may materially and adversely affect our business.

Our founder, Mr. Fu, who is a beneficial owner, Chairman of the Board of Directors of our Company, and Mr. Fu Yanchang, who is a beneficial owner of our Company, are also the shareholders of our PRC Operating Entities. In particular, Mr. Fu holds a 98% equity interest in our PRC Operating Entities. Conflicts of interest between their dual roles in our Company and in our PRC Operating Entities may arise.

We cannot assure you, however, that when conflicts of interest arise, these individuals will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. In the event of any such conflicts of interest, these individuals may breach or cause our PRC Operating Entities to breach or refuse to renew the Contractual Arrangements that allow

RISK FACTORS

us to effectively control and receive economic benefits from our PRC Operating Entities. If we cannot resolve any conflict of interest or dispute between us and such shareholders of our PRC Operating Entities should it arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements with our PRC Operating Entities and their shareholders. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the CIETAC in the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our PRC Operating Entities, injunctive relief and/or winding up of our PRC Operating Entities. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal or in other appropriate cases.

However, we have been advised by our PRC Legal Advisor that the abovementioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in our PRC Operating Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in our PRC Operating Entities in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against our PRC Operating Entities as interim remedies to preserve the assets or shares in favour of any aggrieved party. Our PRC Legal Advisor is also of the view that, even though the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that our PRC Operating Entities or any of its shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Operating Entities and conduct our business as well as our financial conditions and results of operations could be materially and adversely affected.

In addition, although under the Equity Pledge Agreements, the Registered Shareholders pledged all their equity interests in the PRC Operating Entities to the relevant WFOEs to secure collateralized obligations of the PRC Operating Entities or the Registered Shareholders arising

RISK FACTORS

out of any default event under the Exclusive Call Option Agreement, the Voting Rights Proxy Agreement, the Equity Pledge Agreement, the Loan Agreement or the Exclusive Technology Service Agreement, the pledge currently registered with the competent local counterparts of the SAIC are based on the standard form of the pledge agreement currently acceptable to be registered with the SAIC and which could only cover the loan repayment obligation under the relevant Loan Agreement. Such pledges to secure collateralized obligations under other New Agreements are not duly established nor effective against third parties until it has been duly registered with the competent local counterparts of the SAIC. Pursuant to PRC laws, before the pledges over the equity interest of the PRC Operating Entities to secure other collateralized obligations under the New Agreements are registered with competent local counterparts of the SAIC, the relevant WFOE may not be able to foreclose the equity pledge nor have priority over any third party in receiving payment funded from proceeds from the auction or sale of the relevant pledged interests, in the event of any breach or default of such obligations under the other New Agreements. Accordingly, we may not be able to foreclose or recover any amount in the event of any breach or default of the collateralized obligations under the New Agreements (other than the Loan Agreement), or at all, if there is any third party creditor claiming rights against the same equity interests.

The Contractual Arrangements between our relevant WFOEs and our PRC Operating Entities may subject our Group to increased income tax due to the different income tax rates applicable to relevant WFOEs and our PRC Operating Entities and adversely affect our results of operations.

Under the Contractual Arrangements, our PRC Operating Entities are required to pay to our relevant WFOEs service fees that equal to 95% of the PRC Operating Entities' net revenue, i.e. revenue less any costs and expenses (except the service fee) necessary for such PRC Operating Entities' business operations and any taxes (except enterprise income tax) and accumulated losses in a given year, plus extra service fee for additional services provided by the WFOEs upon request of the PRC Operating Entities. Such service fee payments reduce our PRC Operating Entities' taxable income and correspondingly increase the taxable income of our relevant WFOEs, which, combined with the different income tax rates applicable to our PRC Operating Entities and relevant WFOEs, have affected and may continue to affect our results of operations, particularly, our income tax expenses and net profit on a consolidated basis.

One of our PRC Operating Entities, Jinhua99 was subject to a preferential tax rate of 12.5% for the year of 2013 as a Software Enterprise recognized under the EIT Law, and will no longer enjoy the preferential tax treatment starting the year 2014. All other of our PRC Operating Entities are subject to the standard tax rate of 25%. Our relevant WFOEs were subject to a preferential rate of 12.5% for the year of 2013, as they are recognized as Software Enterprise under the EIT Law. Hangzhou Tiange will not enjoy this preferential treatment starting the year 2014, whilst Zhejiang Tiange will continue to receive the treatment for the years of 2014 and 2015. However, if Zhejiang Tiange fails to obtain this qualification, its income tax rate will be at the standard rate of 25%. If in the future a higher income tax rate is made applicable to our relevant WFOEs than our PRC Operating Entities, and if our PRC

RISK FACTORS

Operating Entities transfer a larger portion of their before-tax profits to our relevant WFOEs in such future time period than in the Track Record Period, such transfer may result in increased income tax expenses for the Group on a consolidated basis, which may materially and adversely affect our results of operations, particularly, our net profit and net profit margin.

The Contractual Arrangements between the relevant WFOEs and PRC Operating Entities may be subject to scrutiny by the PRC tax authorities and any finding that we or PRC Operating Entities owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under the Contractual Arrangements among relevant WFOEs and PRC Operating Entities and their equity holders, our PRC Operating Entities will transfer substantially all of their before-tax profits to relevant WFOEs (less any accumulated loss, working capital requirements, expenses and tax of PRC Operating Entities in a given year), which will substantially reduce PRC Operating Entities taxable income. These arrangements and transactions are related party transactions which are subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not entered into on an arm's-length basis, particularly given the fact that our WFOEs have enjoyed and may in the future continue to enjoy preferential corporate income tax rates which are lower than those applicable to our PRC Operating Entities, and therefore adjust the taxable income of PRC Operating Entities in the form of a transfer pricing adjustment which refers to the prices that one member of a group of affiliated corporations charges to another member of the group for goods, assets, services, financing or the use of intellectual property. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by PRC Operating Entities, without reducing the taxable income of the relevant WFOEs at the same time. Any such adjustment could result in a higher overall tax liability of the Group. In addition, the PRC tax authorities may impose late payment fees and other penalties on PRC Operating Entities for any unpaid taxes. Our consolidated net income may be materially adversely affected if PRC Operating Entities tax liabilities increase or if it is subject to late payment fees or other penalties.

We depend on our PRC Operating Entities to provide certain services that are critical to our business. The breach or termination of any of our service agreements with our PRC Operating Entities or any failure of or significant quality deterioration in these services could materially adversely affect our business, financial condition and results of operations.

We rely on our PRC Operating Entities to provide certain services to our customers that are critical to our business, such as the operation of our primary communities, 9158 Video Community and Sina Show. Since we only control our PRC Operating Entities through Contractual Arrangements, we face certain risks with respect to our arrangements with our PRC Operating Entities and the performance of these arrangements by our PRC Operating Entities. If our PRC Operating Entities were to breach any of its obligations under the Contractual Arrangements, we may not be able to find a suitable alternative service provider or be able to

RISK FACTORS

establish and operate our platform in a legal or timely manner. The breach by our PRC Operating Entities of any of the Contractual Arrangements could materially adversely affect our business, financial condition and results of operations. Please refer to the section headed “Contractual Arrangements” for circumstances and conditions under which the Contractual Arrangements may be terminated by the parties thereto.

If we exercise the option to acquire equity ownership and assets of our PRC Operating Entities, the ownership or asset transfer may subject us to substantial costs.

Pursuant to the Contractual Arrangements, the relevant WFOEs (or their designee) have the exclusive right to purchase all or any part of the equity interests in each of our PRC Operating Entities from their shareholders at a purchase price equal to the actual capital contributions made by their shareholders and corresponding to the optioned interests of the PRC Operating Entities, or at the lowest price permitted by PRC law, whichever is higher, for the optioned interests. The relevant WFOEs (or their designee) also have the exclusive right to purchase all or any part of the assets in each of our PRC Operating Entities from their shareholders at a purchase price equal to the net book value of the corresponding assets, or at the lowest price permitted by PRC law, whichever is higher. In the event of such transfer, the lowest price permitted by PRC law may be substantially higher than the aforesaid actual capital contributions in case of purchasing the equity interests, or the net book value of relevant assets, or the competent tax authority may require the relevant WFOEs to pay enterprise income tax for ownership transfer income with reference to the market value instead of the price as stipulated under the Contractual Arrangements, in which case the relevant WFOEs may be subject to a substantial amount of tax and our financial condition may be materially adversely affected.

RISKS RELATED TO OUR INDUSTRY

Regulation and censorship of information disseminated over the Internet in China may adversely affect our business and subject us to liability for information displayed on or linked to our website.

The PRC government controls virtually all Internet access in China and may occasionally block Internet access throughout the country or in certain regions due to political concerns, in particular in response to, or out of concerns for, special incidents or significant events, thereby preventing people in China, including our users, from accessing the Internet and using our services.

The PRC government has adopted certain regulations governing Internet access and the distribution of news and other information over the Internet. Under these regulations, Internet content providers and Internet publishers are prohibited from posting or displaying over the Internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements could result in the revocation of ICP License and other required licenses and the closure of the concerned websites. The website operator may also be held liable for such prohibited information displayed on, retrieved from or linked to such website.

RISK FACTORS

In addition, the MIIT has published regulations that subject website operators to potential liability for content included on their websites and the actions of users and others using their websites, including liability for violations of PRC laws prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local Internet service provider, or ISP, to block any Internet website maintained outside China at its sole discretion. Periodically, the Ministry of Public Security has stopped the dissemination over the Internet of information which it believes to be socially destabilizing. The State Secrecy Bureau, which is directly responsible for the protection of State secrets of the PRC government, is authorized to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the dissemination of online information.

As these regulations are subject to interpretation by the relevant authorities, it may not be possible for us to determine in all cases the type of content that could result in liability for us as a website operator. In addition, we may not be able to control or restrict the content of other Internet content providers linked to or accessible through our websites, or content generated or placed on our websites by our users, despite our attempt to monitor such content. To the extent that regulatory authorities find any portion of our content objectionable, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content on our websites, which may reduce our user traffic and have a material adverse effect on our financial condition and results of operations. In addition, if we are deemed to have facilitated the appearance of certain inappropriate materials placed by third parties on our platform, we may be subject to significant penalties for violations of those regulations arising from information displayed on, retrieved from or linked to our websites, including a suspension or shutdown of our operations.

The laws and regulations governing live social video community and online game industries in China are developing and are subject to future changes. If we or the third-party developers we work with fail to obtain or maintain all applicable permits and approvals, our business and operations would be materially adversely affected.

The live social video community and online game industries in China are heavily regulated by the PRC government. Various regulatory authorities of the PRC central government, such as the State Council, the MIIT, the GAPP, the MOC and the State Administration for Radio, Film and Television (“SARFT”), have the authority to issue and implement regulations governing various aspects of our live social video platform and online games business.

Our PRC Operating Entities are required to obtain and maintain applicable licenses or approvals from different regulatory authorities in order to provide their current services. For example, an Internet information service provider shall obtain the ICP License from MIIT or its provincial counterparts before engaging in any commercial Internet information services. An online cultural business operator must also obtain a Network Cultural Business Permit from a provincial counterpart of the MOC and an Internet Publishing License from the GAPP for operation of online games, in addition to the pre-approval by the GAPP and the filing with the

RISK FACTORS

MOC with respect to the online games. Each of our PRC Operating Entities has obtained a valid ICP License for provision of internet information services. Jinhua9158, Jinhua 99, Xingxiu and Hantang operate or plan to operate online culture business and have obtained Network Cultural Business Permits. Hantang obtained an Internet Publishing License for the publication of online games and mobile phone games in 2013. These licenses are essential to the operation of our business and are generally subject to annual government review. However, we cannot assure you that we would be able to successfully maintain or renew these licenses or that these licenses are sufficient to conduct all of our present or future business.

As we further develop and expand our video capabilities and functions, we may be required to obtain additional qualifications, permits, approvals or licenses. For specific services offered online, we or the service or content providers may also be subject to additional qualifications, permits, approvals or licenses requirements. As the live social video community and online game industries in China are still at an early stage of development, new laws and regulations may be adopted from time to time to address new issues that come to the authorities' attention. In the interpretation and implementation of existing and future laws and regulations governing our business activities, considerable uncertainties still exist. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations.

In addition, we may be required to obtain additional licenses or approvals, and we cannot assure you that we will be able to comply with all these requirements in a timely manner. If we fail to obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties which could be confiscation of the net revenues that were generated through the unlicensed Internet activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

There are currently no laws or regulations in the PRC governing property rights of virtual assets and therefore it is not clear what liabilities, if any, we may have relating to the loss of virtual assets by our users.

Users of our products and services acquire and accumulate some virtual assets, such as performance-enhancing items, clothing, accessories and other in-game items. Such virtual assets can be highly valued by users. In practice, virtual assets can be lost for various reasons, such as data loss caused by delay of network service due to network crashes, or by hacking activities. There are currently no PRC laws and regulations governing property rights of virtual assets. As a result, it is unclear who the legal owner of virtual assets is and whether the ownership of virtual assets is protected by law. In addition, it is unclear under PRC law whether an operator of a live social video platform or mobile and online games such as us would have any liability (whether in contract, tort or otherwise) for loss of such virtual assets by users. In case of a loss of virtual assets, we may be sued by our users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations. Although we have not been involved in any virtual assets related law suits, we cannot assure you that such law suits will not be brought against us in the future.

RISK FACTORS

Restrictions on virtual currency may adversely affect our revenues.

We generate a majority of our revenues through the sale of our virtual currency. The Notice on the Reinforcement of the Administration of Online Games issued by the Ministry of Culture and other governmental authorities on February 15, 2007, directs the People’s Bank of China to strengthen the administration of virtual currency in online games to avoid any adverse impact on the PRC economy and financial system. This notice also applies to our online game business. This notice provides that the total amount of virtual currency issued by online game operators and the amount purchased by individual users should be strictly limited, with a strict and clear division between virtual transactions and real transactions carried out by way of electronic commerce. This notice also provides that virtual currency should only be used to purchase in-game items.

On June 4, 2009, Ministry of Culture and Ministry of Commerce jointly issued Notice on the Strengthening of the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “**Virtual Currency Notice**”), which defines what virtual currency is and requires that entities obtain the approval from the Ministry of Culture before issuing virtual currency and engaging in transactions using virtual currency in connection with online games. In other words, although the term “virtual currency” is widely used in the live social video interaction industry, such “virtual currency” used in our operation of our live social video interaction communities does not fall into the virtual currency defined under the Virtual Currency Notice. However, our operation of online games and mobile games is subject to the Virtual Currency Notice. We have obtained the approval from the Ministry of Culture for the issuing of our virtual currency. The Virtual Currency Notice regulates that virtual currency may only be used to purchase services and products provided by the online service provider that issues the virtual currency, and also prohibits businesses that issue online game virtual currency from issuing virtual currency to game players through means other than purchases with legal currency, and from setting game features that involve the direct payment of cash or virtual currency by players for the chance to win virtual goods or virtual currency based on random selection through a lucky draw, wager or lottery. These restrictions on virtual currency may result in lower sales of our virtual currency, and could have an adverse effect on our revenues from online game business.

In addition, although we do not think the Virtual Currency Notice applies to our operation of our live social video communities, given the wide discretion of relevant governmental authorities and uncertainties in the regulatory environment, we cannot assure that relevant governmental authorities will not in the future interpret the Virtual Currency Notice in a different way and subject our operation of our live social video communities to the scope of the Virtual Currency Notice or issue new rules to regulate the virtual currency in the live social video interaction industry. In that case, our operation may be adversely affected.

We might not be able to renew or continue to obtain the License for Online Transmission of Audio/Video Programs and our business might suffer.

According to the Measures for Administration of Broadcasting of Audio/Video Programs through Internet or Other Information Network (《互聯網等信息網絡傳播視聽節目管理辦法》) which was promulgated by the State Administration for Radio, Film and Television (the

RISK FACTORS

“SARFT”) and come into effect on October 11, 2004 (the “**Audio/Video Measures**”), to engage in the business of transmitting audio/video programs, a License for Online Transmission of Audio/Video Programs (信息網絡傳播視聽節目許可證). We offer live video programs on our platforms through Hantang, which has obtained the License for Online Transmission of Audio/Video Programs in accordance with the Audio/Video Measures. However, according to the Administrative Provisions on Internet Audio/Video Program Service (《互聯網視聽節目服務管理規定》) (the “**Audio/Video Program Provisions**”) which was jointly promulgated by the SARFT and the MIIT and came into effect on January 31, 2008, providers of Internet audio/video program services must be either state-owned or state-controlled entities if it applies for the License for Online Transmission of Audio/Video Programs issued by SARFT. If Hantang could not continue to obtain the License for Online Transmission of Audio/Video Programs when it expires or if its shareholder structure changes in future and the new shareholder is neither state-owned nor state-controlled, our online interactive video business might need to be suspended.

The PRC government has tightened its regulation of cybercafés, which are currently one of the venues for people to use online interactive video platforms in China. Intensified government regulation of cybercafé could restrict our ability to maintain or increase our revenue and expand our player base.

Cybercafés are one of the places for players to play online games in China. In April 2001, the Notice on Further Strengthening Administration of Business Sites of Internet Access Services (《關於進一步加強互聯網上網服務營業場所管理的通知》) was issued by the General Office of the State Council and the PRC government began tightening its regulation and supervision of cybercafés. In particular, a large number of unlicensed cybercafés have been closed. The PRC government has also imposed higher capital and facility requirements for the establishment of cybercafés. Furthermore, the PRC government’s policy, which encourages the development of a limited number of national and regional cybercafé chains and discourages the establishment of independent cybercafé, has slowed down the growth of cybercafés. In February 2004, the government agencies in charge of cybercafés licensing jointly issued a notice suspending the issuance of new cybercafé licenses for a period of six months. In February 2007, 14 PRC government departments jointly issued a circular to strengthen the regulation of cybercafés and online games. According to the circular, local authorities were banned from issuing new cybercafés licenses for the remainder of 2007. Governmental authorities may from time to time impose stricter requirements, such as the customers’ age limit and hours of operation, among others, as a result of the occurrence and perception of, and the media attention on, gang fights, arson and other incidents in or related to cybercafés.

Since some of our users use our platform in cybercafés, any reduction in the number, or slowdown in the growth, of cybercafés in China, or any new regulatory restrictions on their operations, could limit our ability to maintain or increase our revenues and expand our user base, thereby adversely affecting our business and results of operations, as well as growth prospects.

RISK FACTORS

RISKS RELATED TO THE PRC

PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects.

We conduct substantially all of our operations in the PRC. Accordingly, our business, prospects, financial condition and operating results are, to a significant degree, subject to the economic, political and legal developments of the PRC.

The PRC economy differs from other developed economies of the world in many respects, including:

- its political structure;
- the amount and degree of the PRC government involvement and control;
- growth rate and degree of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political, social and legal conditions and policies will have any adverse effect on our current or future business, financial condition or results of operations. Economic reforms begun in the late 1970s have resulted in significant economic growth. However, any economic reform policies or measures in China may from time to time be modified or revised. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past decades, growth has been uneven across different regions and among various economic sectors. In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

RISK FACTORS

The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has implemented a number of measures, such as increasing the People's Bank of China's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which have had the effect of slowing the growth of credit availability. In 2008 and 2009, however, in response to the global financial crisis, the PRC government has loosened such requirements. In response to the global financial crisis and economic downturn, the PRC government adopted various measures aimed at expanding credit and stimulating economic growth, such as decreasing the PBOC statutory deposit reserve ratio and lowering benchmark interest rates.

Although the Chinese economy has grown significantly in the past decade, that growth may not continue and any slowdown may have a negative effect on our business. The overall Chinese economy affects our profitability, since expenditures on online entertainment products and services such as live social video platforms may decrease in a slowing economy. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China, could have a material adverse effect on the overall economic growth of China and investment in the live social video community industry. Such developments could adversely affect our businesses, lead to reduction in demand for our services and adversely affect our competitive position.

Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.

In the Track Record Period, substantially all of our revenues and a super majority of our expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar or U.S. dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiary. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential

RISK FACTORS

benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiary.

Any funds we transfer to our WFOEs, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our WFOEs are subject to the approval of the MOFCOM or its local branches and registration with other governmental authorities in China. In addition, any foreign loan procured by our WFOEs is required to be registered with the SAFE or its local branches, and our WFOEs may not procure loans which exceed the difference between its registered capital and its total investment amount as approved by the MOFCOM or its local branches. Any medium or long term loan to be provided by us to our consolidated affiliated entity must be approved by the NDRC and the SAFE or its local branches. We may not obtain these government approvals or complete such registrations on a timely basis, if at all, with

RISK FACTORS

respect to future capital contributions or foreign loans by us to our PRC subsidiary. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our WFOEs' liquidity and our ability to fund and expand our business.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operational Issues Concerning the Administration Improvement of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or SAFE Circular 142. SAFE Circular 142 regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting the usage of the converted Renminbi. SAFE Circular 142 provides that any Renminbi capital converted from registered capital in foreign currency of a foreign-invested enterprise may only be used for purposes within the business scope approved by PRC governmental authority and such Renminbi capital may not be used for equity investments within the PRC unless otherwise permitted by the PRC law. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from registered capital in foreign currency of a foreign-invested enterprise. The use of such Renminbi capital may not be changed without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been utilized. As a result, we are required to apply Renminbi funds converted from the net proceeds we expect to receive from the Global Offering within the business scope of our WFOEs. SAFE Circular 142 may significantly limit our ability to transfer the net proceeds from the Global Offering or any other offering of additional equity securities to our WFOEs or invest in or acquire any other companies in the PRC. Furthermore, the SAFE promulgated SAFE Circular 59 on November 9, 2010, which tightens the regulation over settlement of net proceeds from offshore offerings. In particular, it is specifically required that any net proceeds settled from offshore offerings shall be applied in the manner described in the offering documents. The SAFE also promulgated SAFE Circular 45 in November 2011, which, among other things, restricts a foreign-invested enterprise from using Renminbi funds converted from its registered capital to provide entrusted loans or repay loans between non-financial enterprises. Violations of these circulars could result in severe monetary or other penalties. SAFE Circulars 142, 59 and 45 may significantly limit our ability to convert, transfer and use the net proceeds from this offering and any offering of additional equity securities in China, which may adversely affect our business, financial condition and results of operations.

Uncertainties with respect to the PRC legal system, in particular, those in relation to the live social video community industry, could adversely affect us.

Substantially all of our business is conducted in China and is governed by PRC laws and regulations. Our WFOEs and our PRC Operating Entities, are located in China and subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions,

RISK FACTORS

taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to online game development and operation. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by whom an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was amended on June 22, 2009 (the “M&A Rules”). The M&A Rules and other regulations and rules concerning mergers and acquisitions established procedures and requirements that could make merger and acquisition activities by foreign investors time consuming and complex. For example, the M&A Rules requires that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honoured brand. Moreover, the Anti-Monopoly Law (反壟斷法) promulgated by the Standing Committee of the National People’s Congress on August 30, 2007 and effective as of August 1, 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (*i.e.*, during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be notified and cleared by MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於建立外國投資者併購境內企業安全審查制度的通知), or Circular No. 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular No. 6, a security review is required for mergers and acquisitions by foreign investors having “national defence and security” concerns and mergers and acquisitions by which foreign investors may acquire the “*de facto* control” of domestic enterprises with “national security” concerns. In August 2011, MOFCOM promulgated the Rules on Implementation of Security Review System (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the MOFCOM Security Review

RISK FACTORS

Rules, to replace the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度有關事項的暫行規定》) promulgated by MOFCOM effective from March 2011 and expired by the end of August 2011, for implementing Circular No. 6. The MOFCOM Security Review Rules, which became effective on September 1, 2011, explicitly provide that MOFCOM will look into the substance and actual impact of the transaction and further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

We may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on our worldwide income.

Under the PRC EIT Law, which came into effect on January 1, 2008, enterprises established outside China whose “*de facto* management bodies” are located in China are considered “resident enterprises” and their global income will generally be subject to the uniform 25% corporate income tax rate. Under the Implementation Rules for the PRC EIT Law, “*de facto* management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. On April 22, 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82. Circular 82 provides certain specific criteria for determining whether the “*de facto* management body” of a Chinese-controlled offshore incorporated enterprise is located in China. In addition, on August 3, 2011, the SAT issued Administrative Measures on Income Taxes of Resident Enterprises Incorporated outside Mainland China and Are Controlled by Chinese Enterprises (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or the Resident Enterprise Administrative Measures, which became effective as of September 1, 2011. The Resident Enterprise Administrative Measures provide clarification for resident status determination, post-determination administration, as well as competent tax authorities. However, Circular 82 and the Resident Enterprise Administrative Measures apply only to offshore enterprises controlled by PRC enterprises, not those invested in or controlled by PRC individuals, like our company. Currently there are no further detailed

RISK FACTORS

rules or precedents applicable to us regarding the procedures and specific criteria for determining “*de facto* management body” for the company of our type. We do not believe we or any of our subsidiaries registered outside of China are a resident enterprise defined and regulated by the aforesaid regulation, as none of our shareholders is a PRC company or PRC corporate group. However, it remains unclear how PRC tax authorities will determine the tax residency status of companies like us. If the PRC authorities were to subsequently determine, or any future regulation provides, that we or any of our subsidiaries registered outside of China should be treated as a PRC resident enterprise, we or such subsidiaries would be subject to a 25% corporate income tax on our global income, which will significantly increase our tax burden and could materially and adversely affect our financial condition and results of operations.

Our Hong Kong subsidiary is subject to PRC withholding tax under the New Enterprise Income Tax Law and we may not be able to enjoy the preferential tax rate of 5%.

Under the EIT Law and its implementation regulations, China-sourced income of foreign enterprises that are “non-PRC resident enterprises” that do not have an establishment or place of business in China or, despite the existence of such establishment or place in China, the relevant income is not actually connected with such establishment or place in China, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty or arrangement with China that provides a different withholding arrangement.

Under an arrangement between China and the Hong Kong Special Administrative Region, which became effective on January 1, 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity is a “beneficial owner” and such entity directly owns at least 25% of the equity interest of the PRC company. The Notice of the State Administration of Taxation on How to Comprehend and Determine the “Beneficial Owners” in Tax Treaties (《國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知》), effective from October 27, 2009, provides certain conditions under which a company cannot be defined as a “beneficial owner” under the treaty, and further provides that an agent or “conduit company” (defined as a company usually established for purposes of evading or reducing taxes, and transferring or accumulating profits, and registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management) shall not be deemed a “beneficial owner”. If the PRC tax authorities determine that our Hong Kong subsidiary is a “conduit company”, we may not be able to enjoy a preferential withholding tax rate of 5%.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the PRC EIT Law and the EIT Rules, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises” (i.e., those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the

RISK FACTORS

relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realised on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If the dividends we pay to our shareholders are regarded as income derived from sources within the PRC, we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise shareholders, or a 20% withholding tax for the dividends we pay to our investors who are non-PRC individual shareholders, including the holders of our Shares. In addition, our non-PRC shareholders may be subject to PRC tax on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

All of our executive Directors and executive officers reside within China, and substantially all of our assets and substantially all of the assets of those persons are located within China. Therefore, it may be difficult for investors to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

We may be required to obtain prior approval from the CSRC for the listing and trading of our Shares on the Hong Kong Stock Exchange.

The M&A Rules, among other things, purports to require that an offshore special purpose vehicle formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Our PRC Legal Advisor, Fangda Partners, is of the opinion that prior CSRC approval for this offering is not required because (i) there was no acquisition of equity or assets of a "PRC domestic company" as such term is defined under the M&A Rules, and (ii) there is no statutory provision that clearly classifies the Contractual Arrangements as transactions regulated by the M&A Rules. As a result, we did not seek prior CSRC approval for this offering. However, our PRC Legal Advisor also advised that the relevant PRC government authorities, including the

RISK FACTORS

CSRC, may hold a different view as our PRC Legal Advisor. If the CSRC or other relevant PRC government authorities subsequently determine that prior CSRC approval is required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this offering into the PRC or take other actions that could have a material adverse effect on our business, as well as the trading price of our Shares. The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the Shares offered by this prospectus. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-resident Enterprise Equity Transfer (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “SAT Circular 698”) issued by the SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

On March 28, 2011, the SAT released the SAT Public Notice (2011) No. 24 (“**SAT Public Notice 24**”), to clarify several issues related to Circular 698. SAT Public Notice 24 became effective on April 1, 2011. According to SAT Public Notice 24, the term “effective tax” refers to the effective tax on the gain derived from disposition of the equity interests of an overseas holding company; and the term “does not impose income tax” refers to the cases where the gain derived from disposition of the equity interests of an overseas holding company is not subject to income tax in the jurisdiction where the overseas holding company is a resident.

There is uncertainty as to the application of SAT Circular 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet

RISK FACTORS

promulgated any formal provisions or made any formal declaration as to the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Circular 698 may be determined by the tax authorities to be applicable to previous investments by non-resident investors in our Company, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-resident investors may become at risk of being taxed under SAT Circular 698 and may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us. We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiary's abilities to pay dividends or make distributions to us and our ability to increase investment in our PRC subsidiary.

In October 2005, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular 75”), which states that if PRC residents use assets or equity interests in their PRC entities as capital contributions to establish offshore companies or inject assets or equity interests of their PRC entities into offshore companies to raise capital overseas, they must register with local SAFE branches with respect to their overseas investments in offshore companies. They must also file amendments to their registrations if their offshore companies experience material events involving capital variation, such as changes in share capital, share transfers, mergers and acquisitions, spin-off transactions, long-term equity or debt investments or uses of assets in China to guarantee offshore obligations. Under this regulation, their failure to comply with the registration procedures set forth in such regulation may result in fines or sanctions imposed by the PRC government, including restrictions being imposed on the foreign exchange activities of the relevant PRC entity, including the payment of dividends and other distributions to its offshore parent, as well as restrictions on the capital inflow from the offshore entity to the PRC entity.

To our best knowledge, all our shareholders who are subject to the regulations have registered with the SAFE their respective investment in us. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by SAFE Circular 75

RISK FACTORS

or other related rules. Any future failure by any of our shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiary's abilities to pay dividends or make distributions to us and our ability to increase investment in our PRC subsidiary.

The new PRC Labor Contract Law, any labor shortages, increased labor cost or other factors affecting our labor force may adversely affect our business, profitability and reputation.

During the Track Record Period, we engaged third-party employment agencies to dispatch contract workers to save costs associated with identifying and recruiting a significant number of permanent employees. On December 28, 2012, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, the number of dispatch contract workers that an employer hires may not exceed a certain percentage of our total number of employees to be decided by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and the dispatched contract workers can only engage in temporary, auxiliary or substitute work. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). The Interim Provisions on Labor Dispatch further requires the employer that is not in compliance with the above provisions to formulate a plan to reduce the number of its dispatched contract workers to below 10% of the total number of its employees prior to March 1, 2016. In addition, an employer is not permitted to hire any new dispatched contract worker until the number of its dispatched contract workers has been reduced to below 10% of the total number of its employees.

As of the Latest Practicable Date, the number of the dispatched contract workers of several of our WFOEs and PRC Operating Entities exceeds the 10% cap contemplated under the Interim Provisions on Labor Dispatch. We are thus required to reduce the number of our dispatched contract workers and replace them with directly hired employees, which we expect may be more expensive than dispatched contract workers and result in an increase in labor and administrative costs. While we expect to formulate and implement a plan and reduce the percentage of our dispatched contract workers to below 10% prior to March 1, 2016, we cannot assure you that we will be able to locate replacement for the substantial number of dispatched contract workers on a timely basis or without incurring increasing labor and administrative costs. In addition, we cannot assure you the type of work that our dispatched contract workers perform will be deemed as temporary, auxiliary or substitute work under the PRC Labor Contract Law.

The application and interpretation of these new requirements under the amended Labor Contract Law are limited and uncertain. If we are found to be in violation of the new rules regulating dispatched contract workers, we may be ordered by the labor authority to rectify the

RISK FACTORS

noncompliance by entering into written employment contracts with the dispatched contract workers. Furthermore, if we fail to rectify within the time period specified by the labor authority, we may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched contract worker.

We face risks related to natural disasters, health epidemics and other outbreaks of contagious diseases.

Our business could be adversely affected by natural disasters or outbreaks of epidemics. On May 12, 2008, China experienced an earthquake with a reported magnitude of 8.0 on the Richter scale in Sichuan Province, resulting in the death of tens of thousands of people. There have been recent outbreaks of avian flu in certain countries, including China. An outbreak of similar contagious diseases in the human population could result in a widespread health crisis that could materially adversely affect the economies and financial markets of many countries. These natural disasters, outbreaks of contagious diseases, and other adverse public health developments in China or any other market in which we do business could severely disrupt our business operations by damaging our network infrastructure or information technology system or impacting the productivity of our workforce, as well as reducing the demand for our products and services, which may materially adversely affect our business, financial condition and results of operations.

RISKS RELATED TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to the completion of the Global Offering, there has been no public market for our Shares. The Offer Price is the result of negotiations between us and the Joint Global Coordinators (on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. In addition, there can be no guarantee that an active trading market for our Shares will develop; or, if it does develop, that it will be sustained following completion of the Global Offering; or that the market price of our Shares will not decline below the Offer Price.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. The stock prices of a number of PRC-based companies recently listed in Hong Kong experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the

RISK FACTORS

securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, including but not limited to the issue of additional Shares under the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

The sale or availability for sale of substantial amounts of our Shares by current shareholders could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares by our existing shareholders, or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of our Controlling Shareholders to dispose of significant amounts of their Shares after the completion of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

Certain statistics contained in this prospectus are derived from a third party report which are not independently verified by us.

This prospectus, particularly the section headed “Industry Overview” in this prospectus, contains information and statistics, including but not limited to information and statistics relating to the mobile game markets in China and certain other countries and regions. Such information and statistics have been derived from a third-party report commissioned by us. The sources of such information are conventional sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe

RISK FACTORS

that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice and other problems, the facts, forecasts and statistics in this prospectus relating to the mobile game markets in China and certain other countries and regions may be inaccurate. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Therefore, you should not unduly rely upon the facts, forecasts and statistics contained in this prospectus.

Future sales or a major divestment of Shares by any of our Controlling Shareholders and Pre-IPO Investors could adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although our Controlling Shareholders have agreed to a lock-up of their Shares, any major disposal of our Shares by any of our Controlling Shareholders upon expiration of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert report, contained in this prospectus.

Certain facts, forecasts and other statistics relating to China and online interactive video platforms market in China contained in this prospectus have been derived from various government publications, market data providers and other independent third-party sources, including iResearch, an independent industry expert, and generally are believed to be reliable. However, we cannot guarantee the accuracy and completeness of such information. These facts, forecasts and other statistics have not been independently verified by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, their respective directors and advisers or any other parties involved in the Global Offering and none of them make any representation as to the accuracy or completeness of such information. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside China. For these reasons, you should not place undue reliance on such information as a basis for making your investment in our Share.

RISK FACTORS

You should read the entire prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that an applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our executive Directors do not ordinarily reside in Hong Kong. Both of them spend the majority of their time supervising our Company's principal business operations in the PRC. We consider that it would be in the best interest of our Group for our executive Directors and our management being based in the PRC to supervise and manage our daily business operations.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules, and the following arrangements have been made for maintaining regular and effective communication with the Stock Exchange:

- (a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two appointed authorized representatives are Mr. Fu and Ms. Ng, Sau Mei (伍秀薇), who will be readily contactable by the Stock Exchange and can meet with the Stock Exchange on reasonable notice. Their contact details (including office and mobile phone numbers, facsimile numbers, email addresses and business addresses) have been provided to the Stock Exchange.
- (b) We have retained the services of a compliance adviser, REORIENT Financial Markets Limited, in compliance with Rule 3A.19 of the Listing Rules. REORIENT Financial Markets Limited will, in addition to the Company's authorized representatives, act as an additional channel of communication of the Company with the Stock Exchange and be available to answer enquiries from the Stock Exchange.
- (c) Each of our Directors, including the executive Directors, has provided their respective contact details (including office, facsimile and mobile phone numbers, and email addresses) to the authorized representatives and the Stock Exchange. Our authorized representatives have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. Each of our Directors either possesses, or can apply for, valid travel documents to visit Hong Kong in order to meet with the Stock Exchange within a reasonable period upon the Stock Exchange's request.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Rule 3.28 of the Listing Rules provides that an applicant for primary listing on the Stock Exchange must have a company secretary who is an individual and who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience,” the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

According to Rule 8.17 of the Listing Rules, an applicant for primary listing on the Stock Exchange must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules.

We have appointed Mr. Chen Shi (陳適) and Ms. Ng Sau Mei (伍秀薇), a manager of KCS Hong Kong Limited, as joint company secretaries on March 11, 2014 to jointly discharge the duties and responsibilities as company secretary of our Company with reference to their past experience, qualifications and working experience.

Mr. Chen is the legal vice president of our Group. He joined our Group in June 2013 and has approximately ten years of experience in advising technology companies in the PRC on legal issues. He obtained a PRC Legal Professional Qualification Certificate (中國法律職業資格證書) awarded by the Ministry of Justice of the PRC in February 2007. Through his

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

experience and service with our Group, Mr. Chen has gained comprehensive knowledge about and is familiar with the operations and business of our Company, in particular, the internal control systems, legal and administration of our Company. He has also been actively involved in the proposed listing of our Company. While Mr. Chen does not possess the qualifications set out in Rule 3.28 of the Listing Rules, we believe it is in the best interests of our Company to appoint him as one of the joint company secretaries in light of his past legal experience in advising technology companies in the PRC and his thorough understanding of the legal, internal administration and business operations of our Group.

We have appointed Ms. Ng, Sau Mei (伍秀薇), as one of the joint company secretaries of our Company to assist Mr. Chen in discharging the duties of a company secretary of our Company. Ms. Ng is qualified to act as the company secretary of our Company as required under Rule 3.28 of the Listing Rules. Ms. Ng is a manager of KCS Hong Kong Limited. She has over 13 years of experience in the company secretarial field and was appointed as the joint company secretary on March 11, 2014. She has extensive knowledge and experience in dealing with corporate governance, regulatory and compliance affairs of listed companies. Ms. Ng obtained a bachelor degree in laws from City University of Hong Kong in November 2001 and was qualified as an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom in September 2007.

As Mr. Chen does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for and the Hong Kong Stock Exchange has granted a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 such that Mr. Chen may be appointed as a joint company secretary.

The initial term of appointment of Mr. Chen and Ms. Ng as our joint company secretaries are three years. The waiver was granted for a period of three years during which period Ms. Ng, as a joint company secretary, will work closely with, and provide guidance and assistance (where necessary) to, Mr. Chen in the discharge of his duties as a joint company secretary.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see the section headed “Connected Transactions” in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

WAIVER AND EXEMPTION IN RELATION TO THE COMPANY'S SHARE INCENTIVE SCHEMES

Under paragraph 27 of Appendix 1A to the Listing Rules, we are required to disclose in this prospectus, particulars of any capital of any member of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance, we are required to disclose in this prospectus details of the number, description and amount of Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, and the names and addresses of the persons to whom it or the right to it was given.

Rule 17.02(1)(b) of the Listing Rules requires that full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per Share arising from the exercise of such outstanding options be disclosed in this prospectus.

The options under the Pre-IPO Share Option Scheme were granted in nine batches on January 14, 2009, July 23, 2009, June 17, 2010, September 6, 2010, December 20, 2010, December 26, 2011, October 14, 2012, September 14, 2013 and May 22, 2014, respectively. Options representing a total of 15,648,000 Shares have historically been granted to 490 option holders, of which Options representing 2,522,425 Shares have lapsed. The Company adopted the Pre-IPO RSU Scheme to partially replace the options granted under the Pre-IPO Share Option Scheme. Options representing a total of 4,280,000 Shares, which were granted to five persons including two executive Directors, one senior management member, one connected person and another employee of our Group, were replaced by Pre-IPO RSUs. As a result, as at the date of this prospectus, options to subscribe for an aggregate of 8,845,575 Shares which, following the Capitalization Issue, is expected to be adjusted to 88,455,750 Shares and representing approximately 7.3% of the enlarged issued share capital of the Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme or the Shares which may be issued under the Post-IPO RSU Scheme), are outstanding.

As at the date of this prospectus, the outstanding 8,845,575 options under the Pre-IPO Share Option Scheme were granted to a total of 468 option holders, including two non-executive Directors, three independent non-executive Directors, four senior management members of our Company, 435 other employees and consultants, and 24 ex-employees who still hold effective Pre-IPO Options. None of the outstanding Pre-IPO Share Options has been exercised by any of the option holders.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

As at the date of this prospectus, 7,280,000 Pre-IPO RSUs (which includes the 4,280,000 Pre-IPO RSUs which were granted to partially replace the options granted under the Pre-IPO Share Option Scheme) have been granted on May 22, 2014 to 17 grantees, including two executive Directors, three senior management members, one connected person of the Group and 11 other employees.

We have applied (i) to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules, and (ii) to the SFC for an exemption from compliance with paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the Company's share incentive schemes on the ground that full compliance with such disclosure requirements would be unduly burdensome for our Company and the exemption would not prejudice the interest of the investing public for the following reasons:

- (a) setting out the names, addresses and numbers of Shares represented by options and RSUs on an individual basis would increase the number of pages in this prospectus by about 90 pages (English and Chinese versions included) and therefore would be costly for our Company in light of the increase in cost for prospectus printing;
- (b) the potential dilution effect upon the exercise of the options granted under the Pre-IPO Share Option Scheme (representing approximately 6.8% of the enlarged issued share capital of the Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which will be granted under the Post-IPO Option Scheme or the Shares which may be issued under the Post-IPO RSU Scheme)) is not expected to cause a material adverse change in the financial position of the Company;
- (c) the lack of full compliance with the applicable disclosure requirements under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not hinder our Company in providing meaningful information to its potential investors for them to make an informed assessment of our Company's activities, assets and liabilities, financial position, management and prospects and will not prejudice the interest of the investing public;
- (d) employment incentive plans, including the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme, constitute an important component in the compensations of employees, Directors and officers of our Group. The full disclosure on the grantees, as well as detailed information on the share options and the Pre-IPO RSUs granted to each of the grantees, would provide the competitors of our Group with compensations and incentive plans of the employees, Directors and officers of our Group, facilitate the solicitation activities of our Group's competitors and thus endanger our Group's strategic recruitment plans; and

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (e) the disclosure of key information of the share options and/or Pre-IPO RSUs granted to Directors, members of the senior management, connected persons, other employees, ex-employees and consultants of our Group under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme in the section headed “Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Option Scheme”, “Statutory and General Information – D. Share Incentive Schemes – 2. Pre-IPO RSU Scheme” and “Statutory and General Information – 3. Details of the options granted under the Pre-IPO Share Option Scheme and the Pre-IPO RSUs granted under the Pre-IPO RSU Scheme” in Appendix IV to this prospectus is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per Share of the options granted under the Pre-IPO Share Option Scheme and the Pre-IPO RSUs granted under the Pre-IPO RSU Scheme in their investment decision making process.

The Stock Exchange has granted the waiver to us subject to the conditions that:

- (a) the grant of a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance by the SFC;
- (b) on an individual basis, full details of any share option granted by our Company under the Pre-IPO Share Option Scheme to each of the Directors, senior management members and connected persons of the Group under the Pre-IPO Share Options are disclosed in this prospectus, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (c) in respect of the share options granted by our Company to the share option grantees under the Pre-IPO Share Option Scheme (other than those referred in sub-paragraph(b)), the following details are fully disclosed in this prospectus:
 - (1) the aggregate number of the share option grantees;
 - (2) the number of Shares underlying the share options;
 - (3) the consideration paid for the grant of the share options (if applicable);
 - (4) the exercise period of the granted share options; and
 - (5) the exercise price for the granted share options;
- (d) the dilution effect and impact on earnings per Share upon full exercise of the share options granted under the Pre-IPO Share Option Scheme be disclosed in this prospectus;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (e) the aggregate number of Shares underlying the outstanding share options granted by our Company under the Pre-IPO Share Option Scheme and its percentage of our Company's issued share capital be disclosed in this prospectus;
- (f) key terms of the Pre-IPO Share Option Scheme be disclosed in this prospectus; and
- (g) the list of all the share option grantees who have been granted share options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has issued a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance subject to the conditions that:

- (a) full details of the options and Pre-IPO RSUs granted by our Company under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme, respectively, to each of (i) our Directors, members of senior management and connected persons of our Group; and (ii) the other grantees who individually have been granted options or Pre-IPO RSUs to subscribe for or receive Shares representing more than 1% of the Company's enlarged issued share capital immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the outstanding options) are disclosed in the prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the share options or Pre-IPO RSUs granted by our Company to the grantees (other than those referred to in sub-paragraph (a) above), the following details are fully disclosed in this prospectus:
 - (1) the aggregate number of the grantees by categories;
 - (2) the aggregate number of Shares underlying such options or Pre-IPO RSUs and the percentage of the Company's enlarged issued share capital represented by such shares immediately following the completion of the Capitalization Issue and the Global Offering;
 - (3) the consideration paid for the grant of the share options or Pre-IPO RSUs (if applicable); and
 - (4) the vesting period, exercise period and exercise price for the share options or Pre-IPO RSUs (if applicable);

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (c) the list of all the grantees (including the persons referred to in sub-paragraph (a) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme or Pre-IPO RSUs under the Pre-IPO RSU Scheme, containing all details as required under Rule paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection; and
- (d) the particulars of the exemption will be disclosed in this prospectus.

Further details of the Pre-IPO Share Option Scheme and the Pre-IPO RSUs are set out in “Statutory and General Information – D. Share Incentive Schemes” in Appendix IV of this prospectus.

CORNERSTONE INVESTMENT BY QIHOO 360

Qihoo 360, one of our cornerstone investors, has entered into a cornerstone investor agreement with us and the Joint Global Coordinators pursuant to which Qihoo 360 has agreed to subscribe for such number of Offer Shares as may be purchased with an amount up to US\$5 million at the Offer Price. Please refer to the section “Our Cornerstone Investors – Our Cornerstone Investors – Qihoo 360 Technology Co. Ltd.” in this prospectus for further details of the subscription by Qihoo 360.

According to Rule 9.09 of the Listing Rules, there must be no dealing in the Shares by any of our connected person from four clear business days before the expected hearing date until Listing is granted. As Beijing Star World, a VIE of Qihoo 360, owns 49% of equity interest in Tianhu, an insignificant subsidiary (as defined under the Listing Rules) of our Group, Qihoo 360 is a connected person to our Group. The rules relating to connected transactions and definitions of “connected person” will be amended and will take effect from July 1, 2014 (the “**Rule Amendments**”). Pursuant to the Rule Amendments, Qihoo 360 will no longer be a connected person of the Group from July 1, 2014.

An application has been made to the Stock Exchange for a waiver from strict compliance with Rule 9.09 of the Listing Rules in relation to the cornerstone investment by Qihoo 360 on the basis that, in light of the above, their investment will not unduly prejudice the interests of the minority Shareholders or other potential investors of the Company. Such waiver has been granted by the Stock Exchange on the condition that:

- (i) Qihoo 360’s cornerstone investment will be made at the Offer Price and it will be subject to a lock-up period of six months following the Listing Date; and
- (ii) we will disclose details of Qihoo 360’s cornerstone investment in this prospectus.

As the Rule Amendments will have been effective before the Listing Date, Qihoo 360 will no longer be a connected person of our Group as of the Listing Date and hence, any Shares to be held by Qihoo 360 will constitute part of the public float.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 30,428,000 Shares and the International Offering of initially 273,839,000 Shares (subject, in each case, to reallocation on the basis referred to under the section headed "Structure of the Global Offering" and without taking into account the Over-allotment Option).

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting."

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering,” and the procedures for applying for our Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” of this prospectus and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and us on or around Monday, June 30, 2014, and in any event no later than Friday, July 4, 2014.

If the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before Friday, July 4, 2014, or such later date or time as may be agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Shares to, confirm that he is aware of the restrictions on offers and sales of the Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued by us pursuant to the Capitalization Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, and the Shares to be issued under the Post-IPO RSU Scheme).

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, July 9, 2014. Save as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out under the sections headed “Structure of the Global Offering” and “Underwriting” in this prospectus.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

Our Company’s principal register of members will be maintained by its principal share registrar, Offshore Incorporations (Cayman) Limited, in the Cayman Islands and our Company’s Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. All Offer Shares will be registered on the Company’s Hong Kong register of members in Hong Kong. Dealings in the Shares registered on our Company’s Hong Kong register of members will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements and how such arrangements will affect their rights and interests as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

For the purpose of illustration only, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. Unless otherwise specified, (i) the translations between Renminbi and HK dollars were made at the rate of HK\$1.00 to RMB0.7939, being the PBOC Rate prevailing on the Latest Practicable Date, and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.7515 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board on the Latest Practicable Date. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

| Name | Address | Nationality |
|--|---|-------------|
| <i>Executive Directors</i> | | |
| Mr. Fu Zhengjun (傅政軍) | Room 902, No. 34, No.888-6 Lane Luojin Road Minhang District Shanghai, PRC | Chinese |
| Mr. Mai Shi'en (麥世恩) | No. 54, No. 306 Lane Madang Road Huangpu District Shanghai, PRC | Chinese |
| <i>Non-executive Directors</i> | | |
| Mr. Mao Chengyu (毛丞宇) | No. 40, No. 262 Lane Chengdu North Road Huangpu District Shanghai, PRC | Chinese |
| Mr. Herman Cheng-Chun, Yu (余正鈞) | Room 101, Unit No.5 Building No.1, Jingfeng Yuan No.1 Xindian Road Chaoyang District Beijing, PRC | American |
| <i>Independent Non-executive Directors</i> | | |
| Ms. Yu Bin (余濱) | Room 402, No. 27, No.1880 Lane Long Yang Road Pudong New District Shanghai, PRC | Chinese |
| Mr. Wu Chak Man (胡澤民) | Room 2802 No. 1027 Changning Road Changning District Shanghai, PRC | Chinese |
| Mr. Chan Wing Yuen Hubert (陳永源) | Flat 2, 18/F Block B Parkway Court 4 Park Road Hong Kong | Chinese |

Further information is disclosed in the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

UBS Securities Hong Kong Limited
42/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

China International Capital Corporation
Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Joint Global Coordinators

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

China International Capital Corporation
Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Joint Lead Managers

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

China International Capital Corporation
Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Haitong International Securities Company
Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Jefferies Hong Kong Limited
Suite 2201
22/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Bookrunners

CMB International Capital Limited
Units 1803-4, 18th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street Central
Hong Kong

China International Capital Corporation
Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Haitong International Securities Company
Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Jefferies Hong Kong Limited
Suite 2201
22/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

Pacific Crest Securities LLC
111 SW 5th Avenue
42nd Floor
Portland
Oregon, 97204

CMB International Capital Limited
Units 1803-4, 18th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Reporting Accountant

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to our Company

As to Hong Kong law and United States law:
Kirkland & Ellis
26th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Fangda Partners
32/F, Plaza 66 Tower 1
1266 Nan Jing West Road
Shanghai
PRC

As to Cayman Islands Law:
Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal Advisors to the Underwriters

As to Hong Kong law and United States law:
Simpson Thacher & Bartlett
ICBC Tower, 35/F
3 Garden Road
Central
Hong Kong

As to PRC Law:
Haiwen & Partners
Unit 2605, Tower 1, Shanghai Kerry Center
No. 1515 Nanjing West Road
Shanghai, PRC

Industry Consultant

Shanghai iResearch Co., Ltd.
Room 701, Building B, CCIG
International Plaza
333 North Caoxi Road
Shanghai, 200030

Compliance Advisor

REORIENT Financial Markets Limited
1102-03, 11/F, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving Bankers

Standard Chartered Bank
(Hong Kong) Limited
15/F Standard Chartered Tower
388 Kwun Tong Road
Hong Kong

Bank of Communications Co., Ltd.
Hong Kong Branch
20 Pedder Street
Central
Hong Kong

CORPORATE INFORMATION

| | |
|---|---|
| Registered Office in Cayman Islands | Floor 4, Willow House Cricket Square PO Box 2804 Grand Cayman KY1-1112 Cayman Islands |
| Headquarters | Room 3A09 Sunshine International Business Center No. 186 South Hushu Road Hangzhou, PRC |
| Principal Place of Business in Hong Kong | 8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong |
| Company's Website | www.tiange.com (The information contained in the website does not form a part of this prospectus.) |
| Joint Company Secretaries | Chen Shi (陳適) Room 3A09 Sunshine International Business Center No. 186 South Hushu Road Hangzhou, PRC Ng Sau Mei (伍秀薇), FCIS, FCS 8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong |
| Authorized Representatives | Fu Zhengjun (傅政軍) Room 3A09, Sunshine International Business Center No. 186 South Hushu Road Hangzhou, PRC Ng Sau Mei (伍秀薇) 8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong |

CORPORATE INFORMATION

| | |
|--|--|
| Members of the Audit Committee | Ms. Yu Bin (余濱) (Chairman) Mr. Wu Chak Man (胡澤民) Mr. Chan Wing Yuen Hubert (陳永源) |
| Members of the Remuneration Committee | Mr. Wu Chak Man (胡澤民) (Chairman) Mr. Chan Wing Yuen Hubert (陳永源) Mr. Mao Chengyu (毛丞宇) |
| Members of the Nomination Committee | Mr. Fu Zhengjun (傅政軍) (Chairman) Ms. Yu Bin (余濱) Mr. Wu Chak Man (胡澤民) |
| Cayman Islands Principal Share Registrar and Transfer Agent | Offshore Incorporations (Cayman) Limited Floor 4, Willow House Cricket Square PO Box 2804 Grand Cayman KY1-1112 Cayman Islands |
| Hong Kong Share Registrar | Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong |
| Principal Bankers | China Merchants Bank Offshore Banking Department 19/F, China Merchants Bank Tower No. 7088 Shennan Boulevard Shenzhen, Guangdong, PRC China Merchants Bank Hong Kong Branch 21/F, Bank of America Tower 12 Harcourt Road Central, Hong Kong |

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from various official and government publications, publicly available market research sources and an industry report commissioned by us and independently prepared by Shanghai iResearch Co., Ltd. (“iResearch”) in connection with the Global Offering (the “iResearch Report”). We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors or advisers or any other party involved in the Global Offering and no representation is given as to its accuracy or completeness.

iResearch

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 interactive entertainment industry in China for use in this prospectus. iResearch has prepared the iResearch Report based on its self-developed analysis methods and data, as well as data it collected from various sources. 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 involved research and comparison of public information, 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 iUserTracker and mUserTracker, its proprietary online behavior research systems for PC and mobile Internet users, respectively. We paid total consideration of approximately RMB385,510 for the preparation of the iResearch Report.

iResearch’s projection on the market size of China’s interactive entertainment industry takes into consideration various factors including (i) historical data of market size; (ii) the public filings of major Internet and social networking services, 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 size is based on certain assumptions, including the expected growth rate of China’s economy and GDP, the level of Internet infrastructure improvement and Internet speed improvement, and takes into account other factors including historical data of Internet user size. The reliability of the iResearch Report may be affected by the accuracy of the foregoing assumptions and factors.

INDUSTRY OVERVIEW

CNNIC

CNNIC is a research institution operated by the PRC government. The main research method includes an Internet-user survey via a Computer-Assisted Telephone Interviewing (CATI) system.

After taking reasonable care, there is no adverse change in the market information since the date of the information in this section.

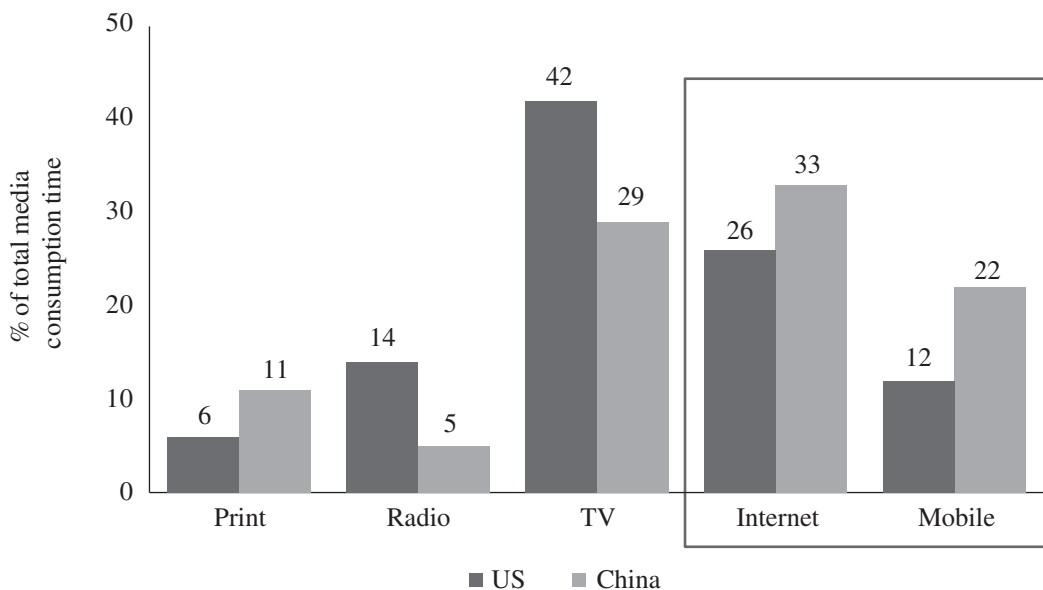
China's Rapid Urbanization and Evolving Patterns of Social Interaction

China's strong economic growth in recent years has encouraged the rapid expansion of cities in China and acceleration in rural-to-urban migration. As a result, the urbanization rate in China has increased significantly from 45.9% in 2007 to 53.7% in 2013. The urbanization is partly driven by people, especially young adults, attaching greater importance to their education, career and lifestyle, and as a result there has been a strong flow of people relocating from rural areas into cities in search of better opportunities.

For migrants to cities, a relatively faster-paced lifestyle and the new urban environment may leave less time and fewer opportunities to make friends and rebuild their social networks. The resulting lack of familiar social and family networks and the fast-paced urban lifestyle have created a strong need for online entertainment and social interaction.

The popularity of online entertainment in China has grown significantly in recent years. According to Kleiner Perkins Caufield Byers, China has surpassed the U.S. in terms of total time spent on Internet and mobile media, with Chinese users spending 55% of their total media time on Internet and mobile media, compared to 38% for U.S. users.

% of Time Spent in Media, US vs. China, 2012



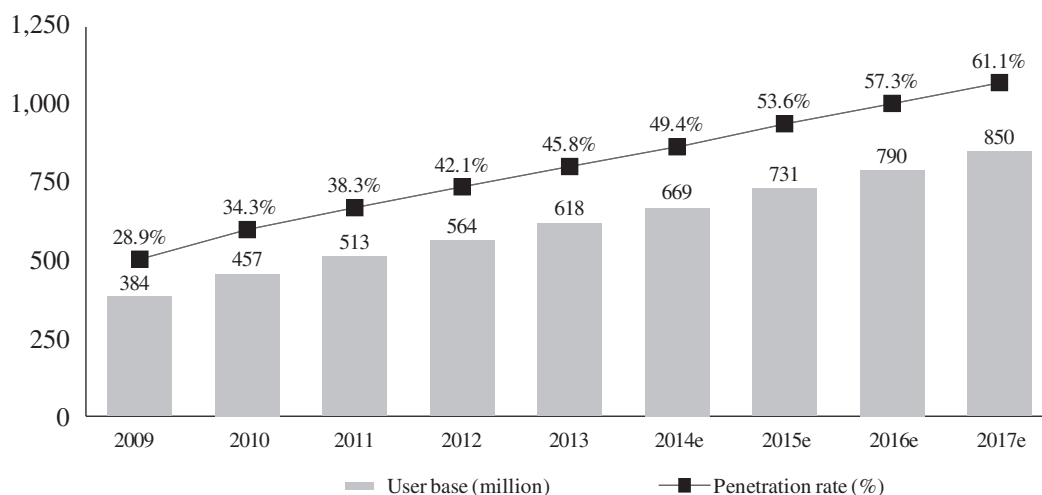
Source: Internet Trends D11 Conference dated May 29, 2013, Kleiner Perkins Caufield Byers

INDUSTRY OVERVIEW

CHINA'S INTERNET MARKET

According to the iResearch Report, China has the world's largest Internet user base. The total number of Internet users in China increased significantly in the past five years, from approximately 384.0 million in 2009 to 618.0 million in 2013 at a CAGR of 12.6%, and is expected to grow to approximately 850.0 million in 2017 at a CAGR of 8.3%. China's Internet penetration rate, representing total Internet users as a percentage of total population, has grown from 28.9% in 2009 to 45.8% in 2013, and is estimated to grow to 61.1% by 2017. The chart below sets forth the number of Internet users and the Internet penetration rate in China for the years presented:

China Internet User Base and Penetration Rate



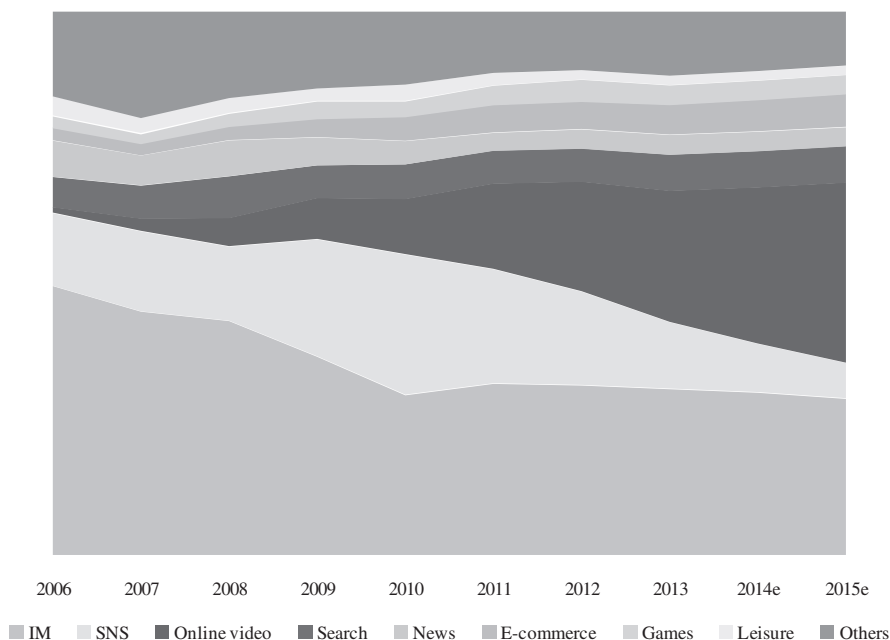
Note: Penetration rate is calculated by dividing total Internet users by total population.

Source: iResearch Report

INDUSTRY OVERVIEW

Internet users in China generally spend a significant amount of time surfing on the Internet each day. According to the iResearch Report, Chinese Internet users spent an average of 5.5 hours on the Internet per day, with an average of 4.5 hours via PC and 1 hour via mobile devices. According to the iResearch Report, this time is predominantly spent on instant messaging, online video and online social networking and in July 2013, time spent on these three categories accounted for 66.9% of total browsing time by users in China. The following chart sets out a breakdown of total browsing time for PRC Internet users for the years indicated:

% of Time Spent on the Internet by Activity in China, 2006-2015



Note:

- * “IM” refers to the usage time of instant messaging software; other services refer to web browsing time.
- ** “Leisure” refers to web browsing time on entertainment news, online music, online photo albums, horoscopes, comics and other types of leisure activities.

Source: iResearch Report

Time spent on online video and online social networking has increased significantly in recent years. The percentage of time spent on these two forms of online entertainment as a percentage of total browsing time increased from 14.4% in July 2006 to 36.4% in July 2013. In addition, online video has increasingly gained popularity and as of July 2012 was the second most popular form of Internet browsing, behind instant messaging.

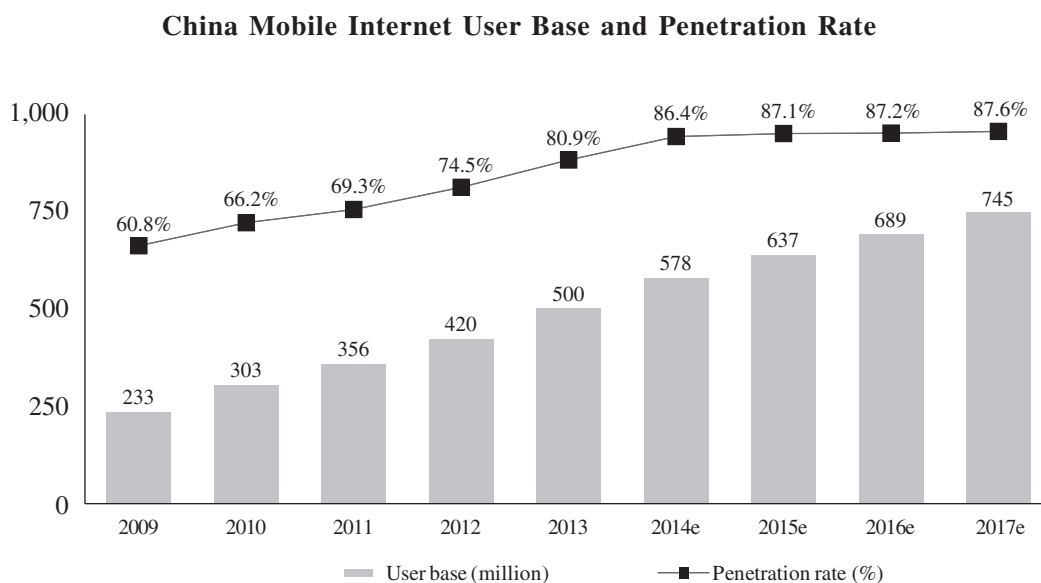
The evolution of Internet technology has promoted the interactivity of web-delivered content, significantly enhancing online experience for Internet users. The Internet has evolved from a channel where publishers post content for users’ passive consumption into a dynamic space where users have become creators of content. This evolution has allowed Internet users to increasingly have the ability to contribute to each other’s Internet experiences by generating and sharing content both as individuals and working collaboratively.

INDUSTRY OVERVIEW

CHINA MOBILE INTERNET MARKET OVERVIEW

According to the iResearch Report, the total number of mobile Internet users in China increased significantly in the past five years, from approximately 233.0 million in 2009 to 500 million in 2013 at a CAGR of 21.0%, and is expected to grow to approximately 745.0 million by 2017 at a CAGR of 10.5%. With the rapid adoption of smartphones and tablets, as well as the development of 3G and 4G networks and Wi-Fi services, the gap between the number of mobile and PC Internet users is expected to continue to narrow.

The chart below sets forth China's mobile Internet user base and mobile Internet penetration in China for the years indicated:



Note: Penetration rate is calculated by dividing total mobile Internet users by total Internet users.

Source: iResearch Report

Mobile Internet users in China use mobile Internet for a variety of functions, including instant messaging, Internet browsing, online shopping and online video. According to the iResearch Report, in December 2013, 52.8% of mobile Internet users used their mobile devices for online video.

ONLINE LIVE SOCIAL VIDEO COMMUNITY INDUSTRY IN CHINA

Overview

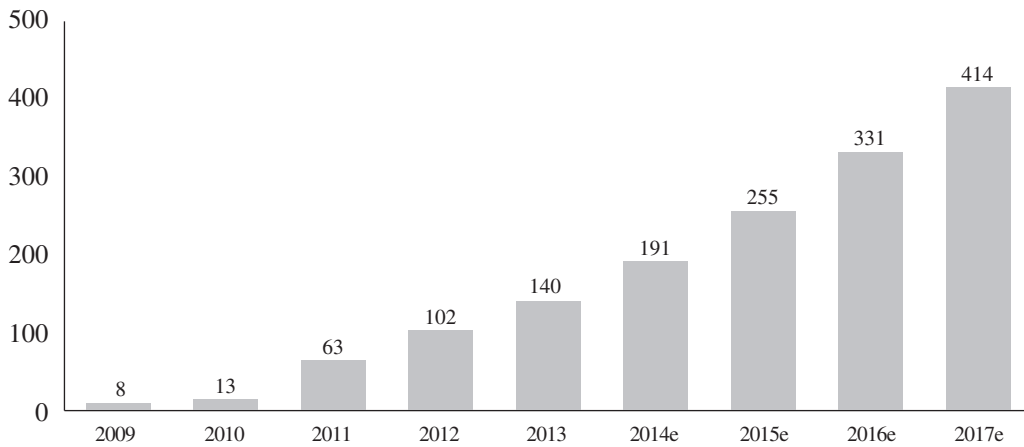
The live social video community is a web service fulfilling user needs for both social networking and online video. Live social video communities may be accessed through PC or mobile clients or directly via Internet browsers. They utilize audio and visual digital tools to allow Internet users who have common interests to have online real-time interaction for a social experience.

INDUSTRY OVERVIEW

Advancement of Internet technology, China's rapid urbanization, the general lack of offline social interaction means available to migrants in urban areas in China and growing demand by Internet users are among the major drivers for the development of live social video community industry. In line with the rapid growth in Internet user base, the number of users who use live social video communities has surged in recent years, from approximately 8.0 million in 2009 to approximately 140.0 million in 2013 at a CAGR of 104.5%, and is expected to increase to approximately 414.0 million by 2017 at a CAGR of 31.1%.

The chart below sets forth the growth of the live social video community user base for the years presented:

China Live Social Video Community User Base (million)



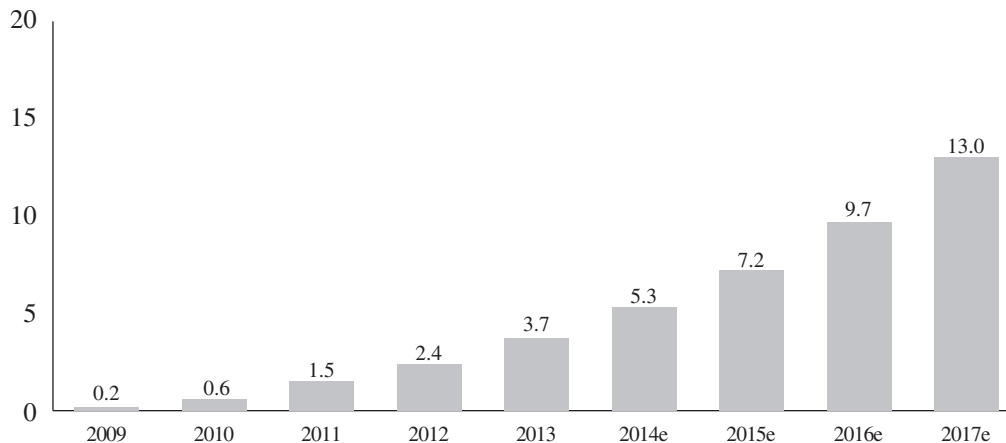
Note: User base only accounts for number of unique visitors that log on at least twice per month.

Source: iResearch Report

INDUSTRY OVERVIEW

In terms of total user spending, the size of the live social video community market has maintained a high growth rate since 2009, increasing from approximately RMB206.0 million in 2009 to approximately RMB3.7 billion in 2013 at a CAGR of 105.7%, and is expected to reach RMB13.0 billion in 2017 at a CAGR of 36.9%. The chart below sets forth the growth of the live social video community industry market in China in terms of total user spending for the years indicated:

China Live Social Video Community Market Size (RMB billion)



Note: Market size includes Internet value-added services. YY Inc.'s revenue only includes users spending on its online music and entertainment business, as its games business are mostly MMORPGs and web games which are outside of the market scope.

Source: iResearch Report

Total user spending is a measure of total user consumption in the live social video community market. A portion of this total user spending flows to the various parties in the industry value chain, including platform operators, distributors and sales agents, hosts and room managers. In the “many-to-many” model, where multiple hosts can stream at the same time to viewers within the same real-time video room, total user spending typically flows from the user to the distributor (at times via sales agents), who then pay the platform operator and hosts. In the “one-to-many” model, where only one host can stream at a time to viewers within the same room, total user spending typically flows from the user directly to the platform operator, who then pay distributors, hosts, room managers and other parties. Platform operators typically sell virtual currency (i) through third-party distributors, in which case they are able to retain approximately 30% to 40% of total user spending, and (ii) directly to users, in which case they are able to retain 100% of total user spending. In both the “many-to-many” and “one-to-many” models, platform operators typically receive approximately 40% to 50% of total user spending from both types of sales channels.

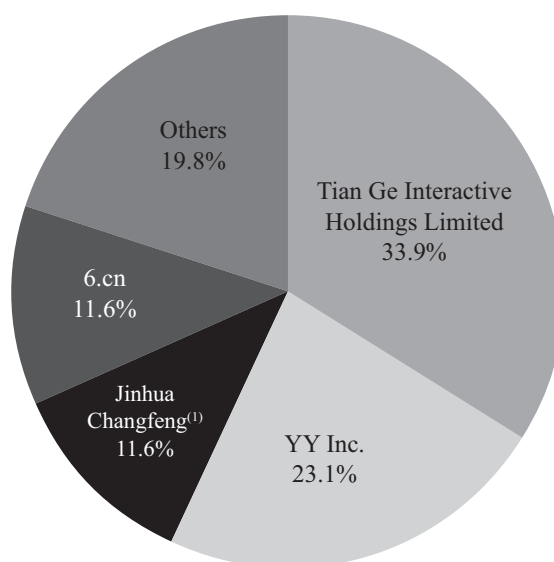
INDUSTRY OVERVIEW

Total user spending is a better measure of total market size for live social video communities in China because it includes payments made to the various parties in the live social video community ecosystem, such as platform operators, distributors and sales agents, hosts and room managers. In contrast, net revenue for platform operators does not account for the other parties in the industry value chain and as a result is less meaningful in providing investors with a sense of the size of the market. Total user spending is able to provide a more accurate description of user consumption of live social video communities-related products and services and in turn, true market size.

Competitive Landscape

The primary players in the live social video community market include Tian Ge Interactive, YY Inc., Jinhua Changfeng (operator of Guagua.cn and other communities) and 6.cn. The chart below sets forth the market shares in terms of total user spending of major live social video community providers in 2013:

China's Live Social Video Community Market Share by User Spending in 2013



Note: YY Inc.'s revenue only includes users spending on its online music and entertainment business, as its games business is mostly MMORPGs and web games which are outside of the market scope.

(1) Operator of Guagua.cn (its major community) and other communities.

Source: iResearch Report

Tian Ge Interactive Holdings Limited primarily operates live social video communities which use the “many-to-many” model, where multiple users can stream at the same time to viewers within the same room. In contrast, YY Inc. provides a live social video community which uses the “one-to-many” model, where only one user can stream at one time to viewer within the same room. Additionally, communities may have a particular subject matter. For example, Jinhua Changfeng’s Guagua.cn community has a higher percentage of rooms that focus on finance and investment topics.

INDUSTRY OVERVIEW

There are significant barriers to entry in the live social video community market. New entrants to the market may lack the time, resources and know-how to develop technology to support a large number of concurrent video and audio streams while retaining high stream quality and fast downloads. Additionally, existing live social video communities benefit from the network effect from a large existing user base. It is very difficult for a new entrant into the market to establish such a user base, and in turn effectively compete with existing operators.

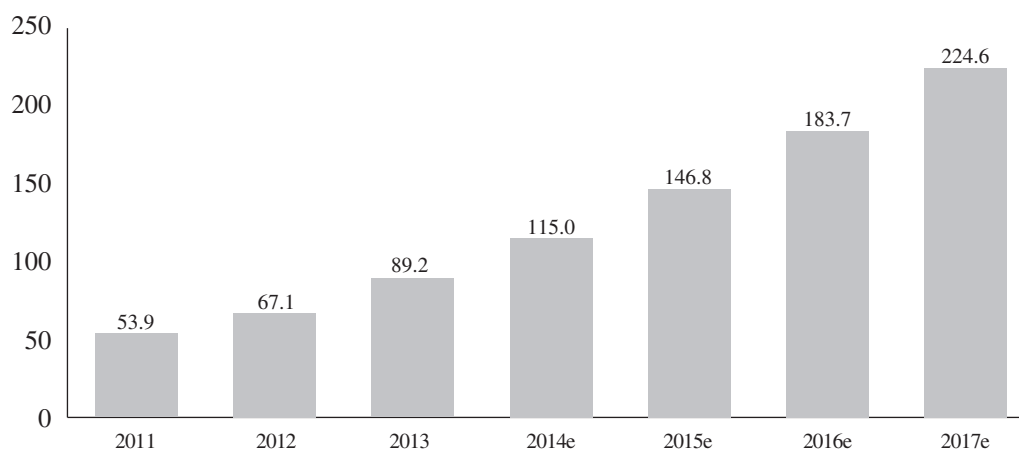
Monetization

Major participants of live social video community market include platform operators, individual content providers (such as hosts and users on air), institutional content providers, advertisers and viewers. Content providers contribute content to the platform operators, who in turn provide viewers with access to their communities. Platform operators primarily generate revenues from sales of virtual items to paying users. In the future, the development trend may be that operators also charge users for access to the platform itself, such as through paid membership subscriptions. Content providers may receive a lump sum payment or a certain proportion of the income platform operators receive from offering the relevant content on their platforms.

ONLINE GAME INDUSTRY

China's online game industry has exhibited strong growth in recent years, growing from RMB53.9 billion in 2011 to RMB89.2 billion in 2013 at a CAGR of 28.6%, and is expected to grow to RMB224.6 billion by 2017 at a CAGR of 26.0%.

China Online Game Industry Market Size (RMB billions)



Note:

* Online game industry market size includes PC games, web games and mobile games.

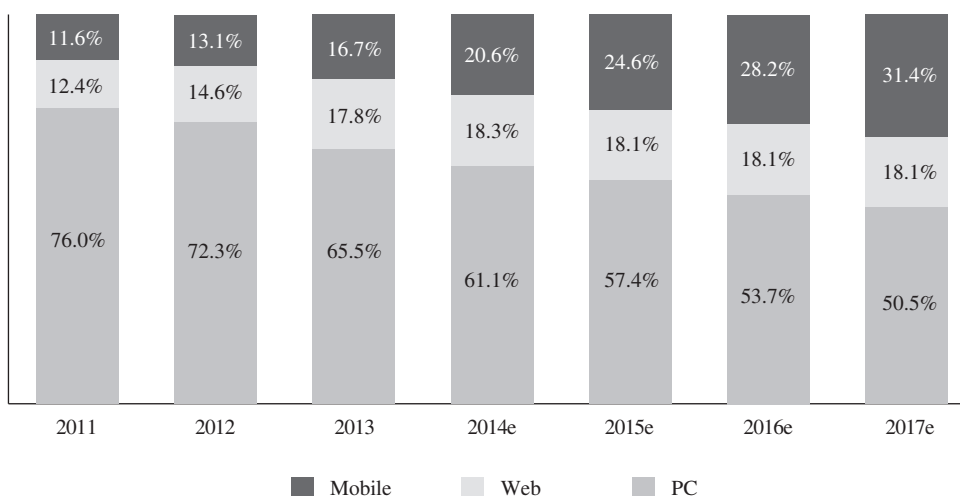
** Total market size includes domestic and oversea revenues of PRC online game companies.

Source: iResearch Report

INDUSTRY OVERVIEW

China's online game industry has three primary segments: PC-based games, web games and mobile games. Of these three segments, the mobile game segment has the fastest growth rate. According to the iResearch Report, the mobile game segment will account for more user spending than web games starting in 2014. The following chart sets out the segments of China's online games industry and historical and forecasted breakdowns from 2011 to 2017:

China Online Game Industry Market Structure by Segment



Note:

* Total market size includes PC games, web games and mobile games.

** Total market size includes domestic and oversea revenues of PRC online game companies.

Source: iResearch Report

The mobile game value chain consists of content developers, publishers, distributors and users. The current content developer market consists of a large number of individual developers and small studios. Currently, it is estimated that China has more than 1,500 mobile game developers, with even the most successful developers each having only one or two hit games. This is partially because a successful game requires, in addition to strong research and development capabilities, efficient and effective marketing and high-quality customer services, to attract and maintain a large player base and prolong the life cycles of mobile games. However, most developers, and in particular smaller ones, lack the necessary resources and expertise to promote their games or provide customer services. As a result, they often rely on mobile game publishers to promote and manage the day-to-day operations of their games.

In recent years, mobile game publishers in China have increasingly relied on organic distribution channels to market and facilitate downloads of their games, rather than through third-party platforms such as Qihoo's 360 Mobile Assistant and Baidu's 91 Wireless. These organic distribution channels are reliant on a large and engaged user base through which publishers can cross-promote their offerings, and allow the publisher to reduce its marketing and distribution costs and expenses.

INDUSTRY OVERVIEW

According to a report titled “2013 Q4 and Annual Market Pattern of Mobile Game Publishers” issued by Enfodesk, an established advisory firm in China, China Mobile Games Entertainment Group Limited, or CMGE, ranked first among all the PRC mobile game publishers of all mobile game publishing platforms with a market share of 17.9% in terms of gross billings in 2013. Other leading publishers in China include Chukong, FL Mobile and iDreamSky, with a market share of 16.2%, 13.2% and 13.0%, respectively, in terms of gross billings in 2013.

CMGE, the market leader in mobile game content development, has extensive game offerings in various genres, spanning from strategy, card and chess games to various leisure games. Chukong has accumulated a large game player user base through its Fishing Joy series and a large game developer user base through its free open source game engine. FL Mobile uses its organic distribution channels, such as its game download center and mobile phone guard software, to penetrate the downstream value chain. iDreamSky relies on its strong relationships with overseas game developers to publish international hits such as the Temple Run series and Fruit Ninja.

REGULATORY OVERVIEW

PRC REGULATORY FRAMEWORK

The Group's operations are subject to laws and regulations issued by various PRC government authorities. This section sets forth the most important laws and regulations that govern the Group's current major business activities in China, but as the online social platform and online game industries are still at an early stage of development in China, new laws and regulations may be adopted from time to time to require new licenses and permits in addition to those the Group currently has.

Regulations on Value-added Telecommunications Business

On September 25, 2000, the State Council promulgated the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecom Regulations**”). Under the Telecom Regulations and the Catalogue of Telecommunication Business (《電信業務分類目錄》), an attachment to the Telecom Regulations, and as updated on April 1, 2003, the services of an Internet content provider (the “**ICP**”) are designated as a value-added telecommunication business. An ICP is thus subject to examination by and approval of and is required to obtain a value-added telecommunication service operating license (增值電信業務經營許可證) (the “**ICP License**”) from the MIIT or its provincial counterparts. The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”) promulgated on September 25, 2000 and amended on January 8, 2011 further categorize Internet information services into either commercial Internet information services or non-commercial Internet information services. The Internet Measures require commercial operators of Internet information services to obtain an ICP License from the MIIT or its provincial counterparts before engaging in the provision of any commercial Internet information services.

According to the currently effective Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “**Catalogue**”) which governs investment activities in the PRC by foreign investors and the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”) issued on December 11, 2001 and amended on September 10, 2008, the foreign investors' ultimate equity interests in an entity providing value-added telecommunications services in the PRC shall not exceed 50%. In addition, under the FITE Regulations, a foreign investor who invests in a value-added telecommunications business in the PRC must demonstrate a good track record and experience in providing value-added telecommunications services, and must obtain approvals from the MIIT and the MOFCOM or its competent provincial counterparts prior to the investment.

On July 13, 2006, the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Circular**”) was promulgated. The MIIT Circular further strengthens regulation of foreign investment in value-added telecommunication services, by, inter alia, prohibiting domestic telecommunication service providers holding ICP License from leasing, transferring or selling their licenses to any foreign investor in any form, or providing

REGULATORY OVERVIEW

any resources, sites or facilities to any foreign investors for illegal operation of telecommunications businesses in the PRC. Furthermore, the MIIT Circular requires that value-added telecommunications service operators holding ICP Licenses or their shareholders must directly own certain relevant assets for their business operations, such as the domain names and trademarks. If an ICP License holder fails to comply with the requirements in the MIIT Circular and remedy such non-compliance within a specified period of time, MIIT or its local counterparts have the discretion to take administrative measures against such license holder, including revoking its ICP License.

To comply with such foreign ownership restrictions, we operate our live social video platforms and engage in various other online activities in the PRC through our PRC Operating Entities. Each of our PRC Operating Entities holds an ICP License.

Regulations on Online Cultural Business

On June 29, 2004, the State Council issued a Decision of the State Council on Items that Remain Necessary for Administrative Examination and Approval (《國務院對確需保留的行政審批項目設定行政許可的決定》), as amended on January 29, 2009, according to which the establishment of for-profit online culture entities remains to be an item that requires administrative examination and approval by the Ministry of Culture (the “MOC”).

The Interim Provisions on the Administration of Internet Culture (《互聯網文化管理暫行規定》) (the “**Internet Culture Interim Provisions**”), promulgated on May 10, 2003 and amended on February 17, 2011, require entities engaging in activities relating to “online cultural products” to obtain the Network Cultural Business Permit (網絡文化經營許可證) from a provincial counterpart of the MOC if they intend to provide online culture products and services for profits. “Online cultural products” include cultural products that are produced specifically for Internet use, such as online music and entertainment, online games, online plays, online performances and other online cultural products that produce or reproduce music, entertainment, games, plays and other art works for Internet dissemination through technical means.

Pursuant to the currently effective Catalogue, the online cultural business (except online music) falls within the “prohibited” category. On March 18, 2011, the MOC issued the Circular on Implementation of the Newly Revised Interim Provisions on the Administration of Internet Culture (《關於實施新修訂<互聯網文化管理暫行規定>的通知》), which also provides that in general, the authorities will temporarily not accept applications by foreign-invested ICP operators for operation of online culture business.

Each of Hantang, Jinhua9158, Jinhua99 and Xingxiu holds a Network Cultural Business Permit. During the Track Record Period and as of the Latest Practicable Date, the primary business of Xingxiu has been operating Sina Show in cooperation with SINA Group. SINA Group has obtained a Network Cultural Business Permit, on which the operation of Sina Show relies. As such, and as advised by the PRC Legal Advisor, Xingxiu was not required to obtain a Network Cultural Business Permit during the Track Record Period, and as advised by the PRC Legal Advisor, Xingxiu’s operation of Sina Show without a Network Cultural Business Permit during the Track Record Period did not violate the PRC laws and regulations.

REGULATORY OVERVIEW

Regulations on Internet Publication Business

On June 27, 2002, the General Administration of Press and Publication (the “GAPP”) and the MIIT jointly issued the Interim Regulations on Administration of Internet Publication (《互聯網出版管理暫行規定》) (the “Internet Publication Regulations”). The Internet Publication Regulations imposed a license requirement for any company that engages in Internet publication activities which includes the provision of online games through Internet; therefore, an online game operator must (i) obtain an Internet Publishing License (互聯網出版許可證) so that it can directly offer its online games to the public in the PRC, or (ii) publish its online games through a qualified press entity by entering into an entrustment agreement.

On July 6, 2005, five PRC government authorities, including the MOC and the GAPP, jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector (《關於文化領域引進外資的若干意見》), pursuant to which foreign enterprises are prohibited to invest in the business of audio/visual programs provision via the information network and Internet publications.

Hantang obtained an Internet Publishing License for the publication of online games and mobile phone games in 2013.

Regulations on Online Transmission of Audio/Video Programs

On July 6, 2004, the SARFT promulgated the Measures for the Administration of Broadcasting of Audio/Video Programs through Internet or Other Information Network (《互聯網等信息網絡傳播視聽節目管理辦法》) (the “Audio/Video Measures”). The Audio/Video Measures apply to the activities relating to the launch, broadcasting, integration, transmission or download of audio/video programs using Internet or other information network. Under the Audio/Video Measures, in order to engage in the business of transmitting audio/video programs, a License for Online Transmission of Audio/Visual Programs (信息網絡傳播視聽節目許可證) issued by SARFT is required. Foreign invested enterprises are not allowed to carry out such business.

On April 13, 2005, the State Council promulgated the Several Decisions on the Entry of the Non-state-owned Capital into the Cultural Industry (《關於非公有資本進入文化產業的若干決定》). On July 6, 2005, five PRC government authorities jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector (《關於文化領域引進外資的若干意見》). According to these regulations, non-state-owned capital and foreign investors are not allowed to engage in the business of transmitting audio/visual programs through information networks.

On December 20, 2007, the SARFT and the MIIT jointly promulgated the Administrative Provisions on Internet Audio/Visual Program Service (《互聯網視聽節目服務管理規定》) (the “Audio/Visual Program Provisions”). The Audio/Visual Program Provisions regulate the provision of audio-visual program services to the public via the Internet, including through mobile networks, within the territory of the PRC. Providers of Internet audio/visual program

REGULATORY OVERVIEW

services are required to obtain a License for Online Transmission of Audio/Visual Programs issued by SARFT, or complete certain registration procedures with SARFT. In general, providers of Internet audio/visual program services must be either state-owned or state-controlled entities. According to relevant official answers to press questions published on the SARFT's website dated February 3, 2008, SARFT and MIIT clarified that providers of Internet audio/visual program services who engaged in such services prior to the promulgation of the Audio/Visual Program Provisions are eligible to register their business and continue their operation of Internet audio/visual program services so long as those providers did not violate the relevant laws and regulations or have rectified the minor violation of the relevant law and regulations in the past. Such policies have been reflected in the Notice on Relevant Issues Concerning Application and Approval of License for the Online Transmission of Audio/Visual Programs (《關於做好<信息網絡傳播視聽節目許可證>申報審核工作有關問題的通知》) issued by SARFT on May 21, 2008.

On March 17, 2010, the SARFT issued the Internet Audio-visual Program Services Categories (Provisional), or the Provisional Categories (《互聯網視聽節目服務業務分類目錄(試行)》), which classified internet audio/visual program services into four categories.

Pursuant to Article 28 of the Audio/Video Program Provisions, provision of audio/visual instant communication services through Internet is subject to the administration and regulation by the MIIT. The real-time video services currently provided by the PRC Operating Entities through the live social video communities, including operation of real-time video rooms in genres of music, talk shows, financing and education, are instant communications services, i.e. users with interests in the same topics gather together in the chat rooms for communication of and discussion on the relevant topics by way of a video-chat. Instant communications services are not subject to the Audio/Visual Program Provisions or the Provisional Categories issued under the Audio/Visual Program Provisions. Further, on May 27, 2014, our PRC Legal Advisor and the Joint Sponsors as assisted by their PRC legal advisor, conducted an interview with the Head of the Department of Online Audio/Visual Programs Management in the Social Management Office of the Administration of Press, Publication, Radio, Film and Television of Zhejiang Province (浙江省新聞出版廣播電局社會管理處(掛網絡視聽節目管理處牌子)) (“**Zhejiang GAPPRFT**”), which is the local counterpart of the SARFT in Zhejiang Province and also the department in charge of the administration, supervision and development and policy planning concerning the operation, production and transmission of online audio/visual programs (mainly broadcast shows, movies, TV episodes, comics, entertainment and documentary) in Zhejiang Province. Based on the interview and as advised by our PRC Legal Advisor, Zhejiang GAPPRFT is the competent government authority for the administration of the audio/video programs in Zhejiang Province and the said Head is a proper representative of Zhejiang GAPPRFT and in charge of the review, approval and administration of audio/video programs through the Internet in Zhejiang Province. In the interview, the Head of Zhejiang GAPPRFT confirmed that (i) the instant/real-time video services currently provided by the PRC Operating Entities through the live social video communities are not subject to the regulation and administration of the SARFT pursuant to Article 28 of the Audio/Visual Program Provisions; (ii) the PRC Operating Entities and their users should not be regarded as providers of Internet audio/visual programs services subject to the regulation of Article 7 of the

REGULATORY OVERVIEW

Audio/Visual Program Provisions as a result of the provision or use of the instant/real-time video communications services and that neither the PRC Operating Entities nor their users are required to apply for and obtain an AV License for the provision of instant/real-time video communication services. Our PRC Legal Advisor and the PRC legal adviser to the Joint Sponsors are of the opinion that the Audio/Visual Program Provisions and the categories of audio/visual programs in the Provisional Categories are not applicable to the instant communications services provided by our PRC Operating Entities and that the PRC Operating Entities and their users should not be regarded as providers of audio/visual programs subject to the regulation of the Audio/Visual Program Provisions for providing or using such instant communications services; and the PRC Operating Entities are not required to obtain a License for Online Transmission of Audio/Video Programs for the provision of instant communications services.

Hantang currently provides audio/visual programs transmission services to its users, being play-on-demand services for movies and TV plays licensed from third parties and holds a valid License for Online Transmission of Audio/Visual Programs with the business classification of converging and plan-on-demand services for certain kinds of audio/visual programs – movies and TV plays – as prescribed in the Provisional Categories. Hantang does not and has no plan to charge for such services. Additionally, the services provided by Hantang are not a part of the Group's core business, and rather are provided to give the Group with the flexibility to expand this business and utilize the License for Online Transmission of Audio/Visual Programs held by Hantang in the future. These services provided by Hantang do not help generate revenue for the Group's other businesses. We currently do not have any concrete plans on expanding our business that requires the License for Online Transmission of Audio/Visual Programs held by Hantang, but may do so in the future with the evolvement of the industry and our business strategies. Given that no revenue has been generated for the audio/visual programs transmission services, and the License for Online Transmission of Audio/Video Programs is not required for the primary business of the Group, i.e. the provision of real-time video services through the Group's live social video communities, the Company does not foresee any material adverse impact on the Group's business if Hantang fails to renew its License for Online Transmission of Audio/Visual Programs.

Regulations on Internet Content Services and Censorship

Under various laws and regulations governing value-added telecommunications services and information security, Internet information service providers shall not produce, duplicate, post or disseminate any content via the Internet that:

- opposes the fundamental principles stated in the PRC constitution;
- compromises national security, divulges state secrets, subverts state power or damages national unity;
- harms the dignity or interests of the state;
- incites ethnic hatred or racial discrimination or damages inter-ethnic unity;

REGULATORY OVERVIEW

- undermines the PRC's religious policy or propagates heretical teachings or feudal superstitions;
- disseminates rumors, disturbs social order or disrupts social stability;
- disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime;
- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or
- is otherwise prohibited by law or administrative regulations.

Internet information service providers are required by various regulations to establish an internal information security and censorship mechanism to monitor their websites. On December 13, 2005, the Ministry of Public Security promulgated Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), or Internet Protection Measures. The Internet Protection Measures require, among other things, all Internet information service providers to keep and maintain records of specific information about its users (including user registration information, log-in and log-out time, IP addresses, content posted by users and the time when the content is posted) for at least 60 days and take other necessary measures to ensure Internet security. According to the Internet Culture Interim Provisions and the Measures on Administration for Content Self-monitoring by the Operator of Online Culture Business (《網絡文化經營單位內容自審管理辦法》), which was issued by the MOC and effective from December 1, 2013, operators of online culture business are required to set up and improve content monitoring system, establish independent department for content monitoring and maintain content monitoring records for at least two years. The content monitoring system is required to specify working responsibilities, standards, process and accountabilities for the content monitoring work and be filed with local counterparts of the MOC at provincial level. The content monitoring work is required to be carried out by at least two staff with requisite qualifications recognized by the MOC or its provincial local counterparts.

If an Internet information service provider detects information transmitted on its system that falls within the prohibited scope, the provider must terminate such transmission, delete such information immediately, keep records and report material issues to the government authorities in charge. If any provider fails to set up and implement a content monitoring system, it may have to bear the administrative liabilities under Internet Culture Interim Provisions, including rectification of the failure and administrative fines. In addition, in serious cases, the provider's violation of these prescriptions will lead to the revocation of its ICP License and Network Cultural Business Permit (if any), and suspension of operations, shutting down of its Internet systems and criminal sanctions.

Regulations on Online Games

On June 3, 2010, the Interim Measures on Administration of Online Games (《網絡遊戲管理暫行辦法》) (the “**Online Game Measures**”) were promulgated which require that a company engaging in the operation of online games, including operation of online games,

REGULATORY OVERVIEW

issuance of virtual currency and/or provision of virtual currency transaction services, must have a registered capital of at least RMB10 million and obtain a Network Cultural Business Permit from the provincial counterpart of the MOC. For online games developed in the PRC, the online game operators are required to complete filing procedures with the MOC and comply with other relevant requirements. Online game operators shall indicate the filing numbers at the designated places of their websites and in the games. Online game operators are also required to establish self-censorship systems and have dedicated personnel for the purpose to ensure the lawfulness of the content of online games.

The Online Game Measures require the online game operators to, based on the contents, functions and target users, formulate user guidance and warning information regarding the online games, and indicate such information at a conspicuous place of their websites and in the games. The MOC has formulated the Mandatory Provisions for the Standard Agreement for Online Game Services (網絡遊戲服務格式化協議必備條款) (the “**Mandatory Provisions**”). Pursuant to the Online Game Measures, the service agreement entered into between an online game operator and a user must include all the regulations in the Mandatory Provisions specified by the MOC. Other clauses in the service agreement shall not contravene the Mandatory Provisions. Furthermore, the online game operators are required to take technical and managerial measures to ensure online information security, including preventing computer virus invasion, attack or damage, backing up important data and saving user registration information, operating information, maintenance logs and other information, and protect State secrets, trade secrets and users’ personal information.

On July 11, 2008, the General Office of the State Council promulgated the Regulation on Main Functions, Internal Organization and Staffing of the GAPP (《國家新聞出版總署(國家版權局)主要職責內設機構和人員編製規定》) (the “**Regulation on Three Provisions**”). On September 7, 2009, the Central Organization Establishment Commission issued the corresponding interpretations (《中央編辦對文化部、廣電總局、新聞出版總署<“三定”規定>中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋》) (the “**Interpretations on Three Provisions**”). The Regulation on Three Provisions and the Interpretation on Three Provisions granted the MOC overall jurisdiction to regulate the online games industry, and granted the GAPP the authority to issue prior approvals for the Internet publication of online games. Specifically, (i) the MOC is empowered to administrate online games (other than the pre-approval before Internet publication of online games); (ii) subject to the MOC’s overall administration, GAPP is responsible for the pre-approval of the Internet publication of online games; and (iii) once an online game is launched on the Internet, the online game will be only administrated and regulated by the MOC.

On September 28, 2009, GAPP and other government authorities jointly issued a notice in regard to the Interpretation on Three Provisions (《新聞出版總署、國家版權局、全國“掃黃打非”工作小組辦公室關於貫徹落實國務院<“三定”規定>和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》) (the “**GAPP Notice**”). Games are not allowed to put online for operation without obtaining pre-approval from GAPP.

We failed to obtain pre-approval from GAPP or submit filing with MOC within the prescribed time frame for online games we operate. We are in the process of applying for approval from GAPP and filing with the MOC for most of the online games we currently operate.

REGULATORY OVERVIEW

Taking into consideration the facts that (i) under the Interpretations of the State Commission Office for Public Sector Reform on Some of the Articles in the “Three Provisions” for Ministry of Culture, State Administration of Radio, Film and Television and General Administration of Press and Publication Concerning Animated Games, Online Games and Comprehensive Law Enforcement in the Culture Market issued by State Commission Office for Public Sector Reform on September 7, 2009 (《中央編辦對文化部、廣電總局、新聞出版總署<“三定”>規定中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋》), or the Interpretations on Three Provisions the investigation on the operation of online games without first completing the pre-approval procedure at the GAPP shall be conducted by comprehensive law enforcement organs in the culture market under the MOC’s guidance and the GAPP shall not directly handle such investigation; (ii) no regulations promulgated by MOC impose direct and specific penalties on operation of online games without first completing such procedures; (iii) as far as we know, no PRC entity has been penalized by the comprehensive law enforcement organs as referred to in the Interpretations on Three Provisions for such incompliance since there is no public-available access for us to search information with respect to the penalties imposed by the MOC; and (iv) one Internet game (including 18 game units) and one mobile game that currently operated by us have passed the review by the local counterpart of GAPP in Zhejiang Province, we are of the opinion that the likelihood of being penalized due to failure to obtain pre-approval from the GAPP for publishing our online games is low.

The GAPP Online Game Notice requires an online game operator to obtain an Internet Publication License and further prohibits any direct foreign investment in online games operation business or foreign control or participation in domestic companies’ online game operation business in an indirect way such as establishing other joint ventures, entering into relevant agreements or providing technical support, or in any other disguised manner.

Regulations on Virtual Currency

On January 25, 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued the Notice on Regulating Operation Order of Online Games and Prohibition of Gambling via Online Games (《關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知》). To curtail online games that involve online gambling while addressing concerns that virtual currency might be used for money laundering or illicit trade, the notice (i) prohibits online game operators from charging commissions in connection with winning or losing of games; (ii) requires online game operators to impose limits on use of game points and refrain from providing services that enable game players to transfer or give away virtual currency or game points to other players and that convert virtual currency or game points into real currency or property in the games relating to guessing and betting through game points.

On February 15, 2007, fourteen PRC government authorities jointly issued the Notice on Further Strengthening Administration of Internet Cafes and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》). In accordance with this notice, the People’s Bank of China (the “PBOC”) shall strengthen the administration and regulation on virtual currency to prohibit the virtual currency from impacting the real currency system, including: (i) setting limits on the aggregate amount of virtual currency that can be issued by online game operators

REGULATORY OVERVIEW

and the amount of virtual currency that can be purchased by an individual; (ii) stipulating that virtual currency issued by online game operators can only be used for purchasing virtual products and services within the online games and not for purchasing tangible or physical products; (iii) requiring that the price for redemption of virtual currency shall not exceed the respective original purchase price; and (iv) banning the trading of virtual currency. Violation of these requirements may subject the online game operators to administrative penalties including confiscation of illegal income, heavy fines and criminal sanctions.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “**Virtual Currency Notice**”). The Virtual Currency Notice requires the entities engage in businesses that (i) issue online game virtual currency (in the form of prepaid cards and/or pre-payment or prepaid card points), or (ii) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial counterparts. The online game operators that issue virtual currency are prohibited from providing services that would enable the trading of such virtual currency. Any online game operator that fails to submit the requisite application will be subject to sanctions, including, without limitation, mandatory corrective measures and fines.

The Virtual Currency Notice stipulates that, among others, the amount of virtual currency an online game operator can issue, the retention period of user records, the function of virtual currency and the return of unused virtual currency upon the termination of online services shall be reported to the administration authority by the online game operator within the application documents of engaging in issuing online game virtual currency. Furthermore, the Virtual Currency Notice bans the issuance of virtual currency by operators to game players through means other than purchases with legal currency. It also prohibits online game operators from distributing virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery where the players pay cash or virtual currency directly for such virtual currency or virtual items. In addition, any operator that does not provide online game virtual currency transaction services is required to adopt technical measures to restrict the transfer of online game virtual currency among accounts of different game players.

In addition to the Virtual Currency Notice, the Online Game Measures promulgated by the MOC effective on June 3, 2010 further provide that (i) virtual currency may only be used to purchase services and products provided by the online game operator that issues the currency; (ii) the purpose of issuing virtual currency shall not be malicious appropriation of the user’s advance payment; (iii) the storage period of online game players’ purchase record shall not be shorter than 180 days from last time the player receive the service provided by the online game operator; (iv) the types, price and total amount of virtual currency shall be filed with the cultural administration department at the provincial level. Moreover, the Online Game Measures stipulate that virtual currency transaction service providers may not provide virtual currency transaction services to minors or for online games that fail to obtain the necessary approval or filings, and that such providers should keep transaction records, accounting records and other relevant information for its users for at least 180 days.

REGULATORY OVERVIEW

Regulations on Anti-fatigue Compliance System and Real-name Registration System

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT, jointly issued the Notice on Protecting Minors Mental and Physical Health and Implementation of Online Game Anti-fatigue System (《關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知》) requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all PRC online game operators. Under the anti-fatigue compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be “healthy”, three to five hours is deemed “fatiguing”, and five hours or more is deemed “unhealthy.” Game operators are required to reduce the value of in-game benefits to a game player by half if it discovers that the amount of a time a game player spends online has reached the “fatiguing” level, and to zero in the case of the “unhealthy” level.

To identify whether a game player is a minor and thus subject to the anti-fatigue compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games. Pursuant to a notice issued by the relevant eight government authorities on July 1, 2011, online game operators must submit the identity information of game players to the National Citizen Identity Information Center (全國公民身份證號碼查詢服務中心), a subordinate public institution of the Ministry of Public Security, for verification as of October 1, 2011.

Regulations on Internet Bulletin Board

On November 6, 2000, the MIIT promulgated the Administrative Measures on Internet Bulletin Board Services (《互聯網電子公告服務管理規定》), (the “**BBS Measures**”), which required commercial Internet information service providers which provide bulletin boards, discussion forums, chat rooms or similar services, or BBS services, to obtain specific approval from the competent telecommunications authorities. Commercial Internet information service providers are also required to conspicuously display their ICP license numbers and the rules of the BBS and inform users of the possible legal liabilities and consequences for posting improper comments. Another notice issued by the MIIT in March 2001 further specified the qualifications and requirements for approval of BBS services and emphasized the principles of daily supervision on BBS services. The above-stated administrative approval or filing requirement for BBS was cancelled on July 4, 2010 by the State Council.

Regulations on Advertising Business

The SAIC is the primary governmental authority regulating advertising activities in China. Regulations that apply to advertising business primarily include: (i) Advertisement Law of the People’s Republic of China (《中華人民共和國廣告法》), promulgated on October 27, 1994; (ii) Administrative Regulations for Advertising (《廣告管理條例》), promulgated on October 26, 1987; and (iii) Implementation Rules for the Administrative Regulations for Advertising (《廣告管理條例施行細則》), promulgated on January 9, 1988 and as amended in 2004 respectively.

REGULATORY OVERVIEW

According to the above regulations, companies that engage in advertising activities must obtain, from the SAIC or its local branches, a business license which specifically includes operating advertising business in its business scope.

There are certain content requirements for advertisements under the PRC advertising laws and regulations, including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisers, advertising operators and advertising distributors are required to ensure the authenticity and the legal compliance of the content of the advertisements that they prepare or distribute. In provision of advertising services, advertising operators and advertising distributors must review the advertisements and the supporting documents provided by advertisers and verify that the content of the advertisements complies with applicable PRC laws and regulations.

Pursuant to the Administrative Regulations on Foreign-Invested Advertising Enterprises (《外商投資廣告企業管理規定》) promulgated on August 22, 2008, foreign investors are required to have at least three years' prior experience of operating an advertising business as their principal business before they can directly wholly own an advertising company in the PRC. Foreign investors with at least two years' prior experience of operating an advertising business as their principal business are allowed to establish a joint venture with domestic advertising companies to operate an advertising business in the PRC.

Regulations on Intellectual Property

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), adopted in 1991 and as amended in 2010, protects copyright and explicitly covers computer software copyright. The new Regulations on Computer Software Protection (《計算機軟件保護條例》), promulgated in 2001 and revised in 2013 are to protect the rights and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal persons or other organizations is automatically protected immediately after its development, without an application or approval. Software copyright may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the preliminary evidence of the ownership of the copyright and other registered matters. On February 20, 2002, the National Copyright Administration of the PRC (the "NCA") introduced the Measures on Computer Software Copyright Registration (《計算機軟件著作權登記辦法》), which outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Center of China is mandated as the software registration agency under the regulations.

REGULATORY OVERVIEW

To address the problem of copyright infringement related to content posted or transmitted on the internet, the PRC NCA and MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet (《互聯網著作權行政保護辦法》) on April 29, 2005. These measures apply to acts of automatically providing services such as uploading, storing, linking or searching works, audio or video products, or other contents through the internet based on the instructions of internet users who publish contents on the internet, or the Internet content providers, without editing, amending or selecting any stored or transmitted content. When imposing administrative penalties upon the act which infringes upon any users' right of information dissemination through network, the Measures for Imposing Copyright Administrative Penalties (《著作權行政處罰實施辦法》), promulgated in 2009, shall be applied.

Where a copyright holder finds that certain internet content infringes upon its copyright and sends a notice to the relevant Internet information service provider, the relevant Internet information service provider is required to (i) immediately take measures to remove the relevant contents, and (ii) retain all infringement notices for six months and to record the content, display time and IP addresses or the domain names related to the infringement for 60 days. After any content is removed by an Internet information service provider according to the notice of a copyright holder, the Internet content provider may deliver a counter-notice to both the Internet information service provider and the copyright holder, stating that the removed content does not infringe upon the copyright of other parties. After the delivery of such counter-notice, the Internet information service provider may immediately reinstate the removed contents and should not bear any administrative legal liability for such reinstatement.

Pursuant to the Measures for Administrative Protection of Copyright Related to Internet, an Internet information service provider may, in addition to civil liabilities for the copyright infringement, including indemnification for losses incurred by the copyright holders, be subject to cease-and-desist orders and other administrative penalties such as confiscation of illegal income and fines up to three times the illegal income, or where it is difficult to quantify the illegal income, fines up to RMB100,000, if it is clearly aware of a copyright infringement through the internet or, although not aware of such infringement, it fails to take measures to remove the relevant content upon receipt of the copyright owner's notice of infringement, and public interest is prejudiced at the same time. Where there is no evidence to indicate that an Internet information service provider is clearly aware of the existence of copyright infringement, or the Internet information service provider has taken measures to remove relevant contents upon receipt of the copyright owner's notice, the Internet information service provider should not be required to bear the relevant administrative liabilities.

Under the Regulation on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》) promulgated on May 18, 2006 and revised on January 30, 2013, it is further provided that an Internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the Internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the infringement, the Internet information service provider fails to take such measures upon receipt of the copyright holder's notice of infringement. The Internet information service provider may be exempted from indemnification liabilities under the following circumstances:

REGULATORY OVERVIEW

- (i) any Internet information service provider that provides automatic Internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio/visual products provided by its users is not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio/visual products and (b) it provides such works, performances and audio/visual products to the designated users and prevents any person other than such designated users from obtaining access;
- (ii) any Internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio/visual products obtained from any other Internet information service providers, is not required to assume the indemnification liabilities if (a) it has not altered any of the works, performances or audio/visual products that are automatically stored; (b) it has not affected such original Internet information service provider in holding the information about where the users obtain the relevant works, performances and audio/visual products; and (c) when the original Internet information service provider revises, deletes or shields the works, performances and audio/visual products, it will automatically revise, delete or shield the same;
- (iii) any Internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio/visual products to the general public via an informational network is not required to assume the indemnification liabilities if (a) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performances and audio/visual products that are provided by the users; (c) it is not aware of or has no justified reason to know that the works, performances and audio/visual products provided by the users infringe upon the copyrights of others; (d) it has not directly derived any economic benefit from the providing of the works, performances and audio/visual products by its users; and (e) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio/visual products pursuant to the regulation;
- (iv) an Internet information service provider that provides its users with search engine or link services should not be required to assume the indemnification liabilities if, after receiving a notice from the copyright holder, it disconnects the link to the allegedly infringing works, performances and audio/visual products pursuant to the regulation, unless it is aware of or should reasonably have known the infringement.

See “Risk Factor – We may be subject to intellectual property infringement claims, which could be time-consuming and costly to defend and may result in diversion of our financial and management resources”.

REGULATORY OVERVIEW

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》), adopted in 1982 and as amended in 2013, protects registered trademarks. The SAIC Trademark Office is responsible for trademark registrations. Upon the registration of a trademark, the register will have the right to exclusively use the trademark. Registered trademark license agreements are required to be filed with the SAIC Trademark Office for record.

Domain Name

Internet domain name registration and related matters are primarily regulated by the Implementing Rules on Registration of Domain Names (《域名註冊實施細則》) issued by China Internet Network Information Center (the “CNNIC”) on May 28, 2012, the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》), issued by MIIT on November 5, 2004 and effective as of December 20, 2004, and the Measures on Domain Name Disputes Resolution for the Chinese Internet (《中國互聯網絡信息中心域名爭議解決辦法》) issued by CNNIC on May 28, 2012 and effective as of June 28, 2012. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Patent

Patents in the PRC are mainly protected under the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated by the Standing Committee of the National People’s Congress on March 12, 1984 and subsequently amended on September 4, 1992, August 25, 2000 and December 27, 2008 and its Implementation Rules which was promulgated by the State Council on January 19, 1985, December 21, 1992, June 15, 2001, December 28, 2002 and January 9, 2010. The Patent Law of the PRC and its Implementation Rules provide for three types of patents, “invention,” “utility model” and “design”. “Invention” refers to any new technical solution relating to a product, a process or improvement thereof; “utility model” refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and “design” refers to any new design of the shape, pattern or their combination and the combination of color and shape or pattern, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for “invention” is 20 years, and the duration of a patent right for “utility model” or “design” is 10 years, from the date of application.

Regulations on Foreign Exchange

Regulations on Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 as amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) promulgated by the

REGULATORY OVERVIEW

PBOC on June 20, 1996 and became effective on July 1, 1996 and other PRC rules and regulations on currency conversion, foreign invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. If foreign invested enterprises require foreign exchange for transactions relating to current account items, they may, without approval of State Administration of Foreign Exchange (the “SAFE”), effect payment from their exchange account or convert and pay at the designated foreign exchange banks, upon provision of valid receipts and proof. However, convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the “SAFE Circular 142”) to regulate the conversion of foreign currency into Renminbi by a foreign-invested enterprise by restricting the ways in which the converted Renminbi may be used. SAFE Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested enterprise settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without the SAFE’s approval, and may not in any case be repayment of Renminbi loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 may lead to severe penalties including heavy fines. Following the issuance of the SAFE Circular 142, on November 9, 2010, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《關於加強外匯業務管理有關問題的通知》) (the “SAFE Circular 59”) which requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents. Furthermore, on November 9 2011, SAFE issued the Circular on Further Clarifying and Regulating Matters Relating to Foreign Exchange Administration of Certain Capital Account Items (《關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知》) (the “SAFE Circular 45”). SAFE Circular 45 requires SAFE’s local counterparts to strengthen the control imposed by SAFE Circular 142 and SAFE Circular 59 over the conversion of a foreign-invested company’s capital contributed in foreign currency into RMB. SAFE Circular 45 stipulates that a foreign-invested company’s RMB funds, if converted from such company’s capital contributed in foreign currency, may not be used by such company to (i) extend loans (in the form of entrusted loans), (ii) repay borrowings between enterprises, or (iii) repay bank loans it has obtained and on-lent to third parties.

SAFE Circular 75

On October 21, 2005, SAFE issued the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外

REGULATORY OVERVIEW

匯管理有關問題的通知》) (the “**SAFE Circular 75**”), which became effective as of November 1, 2005. Detailed rules for implementation of the SAFE Circular 75 were issued in May 2007. Pursuant to the SAFE Circular 75 and the detailed rules, a PRC resident (whether a natural or legal person) is required to complete the initial registration with the local SAFE counterpart before incorporating or acquiring control of an offshore special purpose vehicle (“**SPV**”), with assets or equity interests in an onshore company located in the PRC, for the purpose of offshore equity financing. The PRC resident is also required to amend the registration or handle a filing procure upon (i) injection of the assets or equity interests in an onshore company or undertaking of offshore financing, and (ii) a material change that may affect the capital structure of the SPV.

Under the SAFE Circular 75, the fulfillment of the initial and amended SAFE registrations as described above is a prerequisite for other regulatory approvals and registrations required for relevant cross-border investment activities and capital flows, such as the offshore entity’s inbound investment or provision of shareholder’s loans to the onshore entity and the onshore entity’s payment of dividends or repatriation of liquidation proceeds, equity interests disposal proceeds or capital reduction to the offshore entity.

Stock Option Rules

The Administration Measures on Individual Foreign Exchange Control (《個人外匯管理辦法》) were promulgated by the PBOC on December 25, 2006, and their Implementation Rules, issued by the SAFE on January 5, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “**Stock Option Rules**”), were promulgated by SAFE on February 15, 2012. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends

REGULATORY OVERVIEW

distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the domestic individuals participating in the stock incentive plans of overseas listed companies with SAFE or its local branches.

Regulations on Dividend Distribution

The principal laws and regulations regulating the distribution of dividends by foreign-invested enterprises in the PRC include the Company Law of the People's Republic of China (《中華人民共和國公司法》), as amended on October 27, 2005, the Wholly Foreign-owned Enterprise Law (《外資企業法》) promulgated on October 31, 2000 and its implementation regulations promulgated on April 12, 2001, the Equity Joint Venture Law (《中外合資經營企業法》) issued on March 15, 2001 and its implementation regulations amended on July 22, 2001 and the Cooperative Joint Venture Law (《中外合作經營企業法》) issued on October 31, 2000 and its implementation regulations promulgated on September 4, 1995. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Laws and Regulations Relating to Tax

Enterprise Income Tax

On January 1, 2008, the Foreign-funded Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) was abolished and replaced by the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) which was promulgated by the National People's Congress on March 16, 2007. Pursuant to the EIT Law and its Implementation Rules (《中華人民共和國企業所得稅法實施條例》) (the “**EIT Rules**”), which were promulgated by the State Council on December 6, 2007, all of which became effective on January 1, 2008, the tax rate for both domestic-funded enterprises and foreign-invested enterprises is 25%, and high and new technology enterprises that require key state support are subject to the applicable enterprise income tax rate with a reduction of 15%.

Under the EIT Law, enterprises are classified as either “resident enterprises” or “non-resident enterprises”. Pursuant to the EIT Law and the EIT Rules, besides enterprises established within the PRC, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and subject to the uniform 25% enterprise income tax rate for their global income. In addition, the EIT Law provides that

REGULATORY OVERVIEW

a non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC.

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-resident Enterprises Equity Transfer (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**SAT Circular 698**”), issued by the State Administration of Taxation (“the **SAT**”) on December 10, 2009 with retroactive effect from January 1, 2008 and amended by on December 12, 2013, except for the purchase and sale of equity through a public securities market, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. If the tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid PRC tax evasion, the tax authority may disregard the existence of the overseas holding company that is used for tax evasion purposes and re-characterize the Indirect Transfer.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which was promulgated by the Stated Council on December 13, 1993 and subsequently amended on November 10, 2008 and its Implementation Rules (《中華人民共和國營業稅暫行條例實施細則》) which was promulgated by the Ministry of Finance (財政部) (the “**MOF**”) on December 18, 2008 and subsequently amended by the MOF and the SAT on October 28, 2011, unless stated otherwise, the taxpayers providing taxable services in China are required to pay a business tax at a normal tax rate of 3% or 5% of their revenues.

Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the Stated Council on December 13, 1993 and subsequently amended on November 10, 2008 and its Implementation Rules (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on December 25, 1993 and subsequently amended by the MOF and the SAT on December 18, 2008 and October 28, 2011, unless stated otherwise, the tax rate for value-added tax payers who are selling or importing goods, and providing processing repairs and replacement services in China shall be 17%.

In November 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》) (the “**Pilot Plan**”). Since January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities, to levy a 6% VAT on revenue generated from

REGULATORY OVERVIEW

certain kinds of services in lieu of the 5% business tax. According to the Notice Regarding the Nationwide Implementation of B2V Transformation Pilot Program in respect of Transportation and Certain Modern Service Industries jointly issued by the MOF and SAT (《財政部、國家稅務總局關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通知》) issued by the MOF and SAT effective from August 1, 2013 (the “**B2V Circular 37**”), such policy was implemented to nationwide. In addition, the MOF and SAT released a notice on December 12, 2013 which further expands the scope of taxable services for value-added tax and will replace the B2V Circular 37 as of January 1, 2014.

Dividend Withholding Tax

The EIT Rules provide that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority having satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the “**SAT Circular 81**”) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Circular on How to Interpret and Recognize the “Beneficial Owner” in Tax Treaties (《關於如何理解和認定稅收協定中“受益所有人”的通知》), issued on October 27, 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Laws on Labor and Social Security

Employment contracts

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) which was promulgated by the Standing Committee of the National People’s Congress on July 5, 1994 and became effective on January 1, 1995 and subsequently amended on August 27, 2009, the PRC Labor

REGULATORY OVERVIEW

Contract Law (《中華人民共和國勞動合同法》) which was promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and became effective on January 1, 2008 and was subsequently amended on December 28, 2012 and became effective on July 1, 2013, and its Implementing Regulations of the Employment Contracts Law (《勞動合同法實施條例》) which was promulgated by the State Council and became effective on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The employer must establish a system for labor safety and sanitation, strictly abide by state standards, and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions meeting State rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

On December 28, 2012 the PRC Labor Contract Law was amended to impose more stringent requirements on labor dispatch which became effective on July 1, 2013. Pursuant to the amended PRC Labor Contract Law, (i) it is strongly emphasized that dispatched contract workers shall be entitled to equal pay for equal work as an employee of an employer; (ii) dispatched contract workers may only be engaged to perform temporary, auxiliary or substitute works; and (iii) an employer shall strictly control the number of dispatched contract workers so that they do not exceed certain percentage of total number of employees and the specific percentage shall be prescribed by the Ministry of Human Resources and Social Security (人力資源和社會保障部). Under the law, “temporary work” means a position with a term of less than six (6) months; “auxiliary work” means a non-core business position that provides services for the core business of the employer; and “substitute work” means a position that can be temporarily replaced with a dispatched contract worker for the period that a regular employee is away from work for vacation, study or for other reasons. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, (i) the number of dispatched contract workers hired by an employer should not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers); and (ii) in the case that the number of dispatched contract workers exceeds 10% of the total number of its employees at the time when the Interim Provisions on Labor Dispatch became effective, the employer must formulate a plan to reduce the number of its dispatched contract workers to comply with the aforesaid cap requirement prior to March 1, 2016. In addition, such plan shall be filed with the local administrative authority of human resources and social security. Nevertheless, the Interim Provisions on Labor Dispatch do not invalidate the labor contracts and dispatch agreements entered into prior to December 28, 2012 and such labor contracts and dispatch agreements may continue to be performed until their respective dates of expiration. The employer may also not hire any new dispatched contract worker before the number of its dispatched contract workers is reduced to below 10% of the total number of its employees.

Employee funds

Under applicable PRC laws, rules and regulations, including the Social Insurance Law (《社會保險法》) which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and became effective on July 1, 2011, the Interim Regulations

REGULATORY OVERVIEW

on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) which was promulgated by the State Council and became effective on January 22, 1999, the Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》) which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995, the Regulations on Occupational Injury Insurance (《工傷保險條例》) which was promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004 and subsequently amended on December 20, 2010 and became effective on January 1, 2011, and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) which was promulgated by the State Council and became effective on April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

M&A Rules and Overseas Listings

On August 8, 2006, six PRC governmental and regulatory agencies, including MOFCOM and the China Securities Regulatory Commission (the “CSRC”), promulgated the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and revised on June 22, 2009. The M&A Rules, among other things, purport to require that an offshore special purpose vehicle, or a SPV, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

The application of the M&A Rules remains unclear. Based on the understanding on the current PRC laws and regulations and the M&A Rules of our PRC Legal Advisor, Fangda Partners, prior approval from the CSRC is not required under the M&A Rules for our listing on the Hong Kong Stock Exchange because (i) we did not acquire any equity interest or assets of “a PRC domestic company” as such term is defined under the M&A Rules, and (ii) there is no statutory provision that clearly classifies the Contractual Arrangements among our WFOEs, our PRC Operating Entities and their shareholders as transactions regulated by the M&A Rules. However, as advised by our PRC Legal Advisor, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of Fangda Partners, summarized above, is subject to change. If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our founder, Mr. Fu, began engaging in the Internet business in 2005. He established our Company in 2008 and began to operate Hantang, our first PRC Operating Entity, in the same year. In 2008, our Group began to operate live social video communities. Our headquarters are located in Hangzhou, PRC.

Our Business Development

The following table illustrates the key milestones of our business development since the inception of our Group:

- | | |
|---------------|---|
| 2005 to 2008 | <ul style="list-style-type: none">Mr. Fu developed a software-based, online operator of video chat rooms which allowed up to ten users to participate & interact simultaneously. The technology could be considered as an embryonic form of the “many-to-many” model currently adopted by the Group |
| November 2008 | <ul style="list-style-type: none">We launched our first “many-to-many” live social video community, 9158 Video Community (9158視頻社區), which is targeted primarily towards users between the ages of 18 and 30 living in Tier 2 to Tier 4 in central, eastern and southern China. Through 9158 Video Community, we began to establish an ecosystem within live social video communities containing distributors, sales agents, room managers, hosts and users. Our business model has remained largely the same since 9158 Video Community was launched |
| November 2008 | <ul style="list-style-type: none">We launched Duoduo Games (多多遊戲), our live social video community with focus on online interactive casual games |
| March 2009 | <ul style="list-style-type: none">The distributor responsible for the relevant community began to pay and incentivize hosts based on the level of interactivity and volume of virtual goods exchanged |
| July 2010 | <ul style="list-style-type: none">In cooperation with SINA Group, we undertook the operations of Sina Show (新浪秀). Sina Show is a many-to-many live social video community which is targeted primarily toward users in the late 20s and older 30, living in northern China and often with relatively higher income than users of 9158 Video Community |
| August 2010 | <ul style="list-style-type: none">We launched Sina Showcase (新浪秀場), our one-to-many live social video community |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- May 2011 • Our monthly paying users reached 200,000
- December 2011 • We launched 9158 Video Community for mobile users
- April 2012 • Our platform's users reached 100 million
- August 2012 • We launched Sina Show for mobile users
- December 2012 • We launched Voice of Sina Show (新浪秀好聲音)
- May 2013 • To strengthen management of our communities, we began to pay room managers with good performance monthly performance-based incentive fees based on popularity of and revenue generated from the relevant room
- August 2013 • We published our first mobile game, Three Kingdoms (三國志:國戰版)
- November 2013 • Our platform reached 200 million registered users

Our Corporate History and Development

The following table highlights the key milestones in the corporate development of our Group since inception:

- April 2005 • 9158 International was incorporated
- July 2008 • Our Company was incorporated in the Cayman Islands
- August 2008 • Week8 HK was incorporated as a direct wholly-owned subsidiary of our Company to hold our WFOEs
- October 2008 • Mr. Fu and Mr. Fu Yanchang acquired our first PRC Operating Entity, Hantang, which operates online games, publishes games operated by our PRC Operating Entities, provides play-on-demand service for movies and TV plays licensed from third parties, and provides technology support to our other PRC Operating Entities
- November 2008 • Our PRC Operating Entities, Jinhua9158 and Jinhua99, were established, and primarily operates 9158 Video Community and Duoduo Games, respectively
- Our WFOE, Hangzhou Tiange, was established in the PRC, and provides technology services to our PRC Operating Entities

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

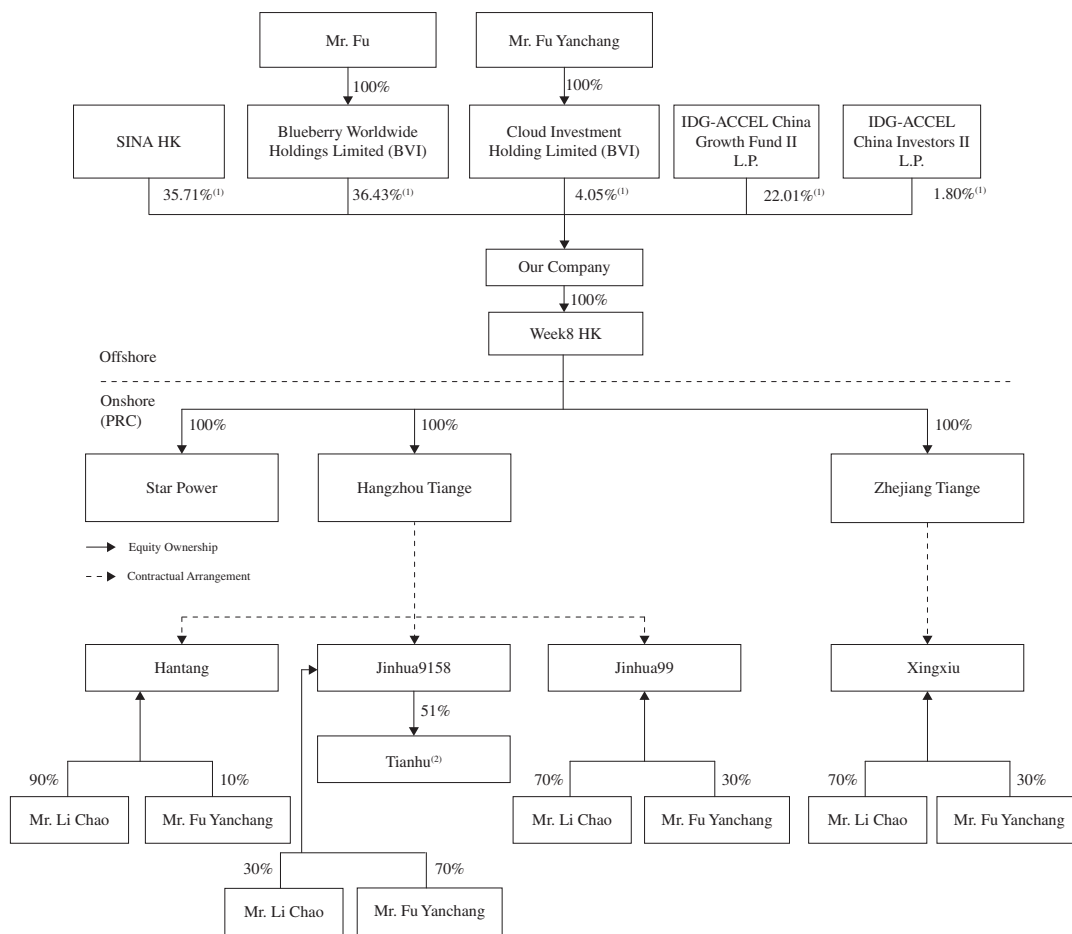
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| December 2008 | <ul style="list-style-type: none">• The Series A Pre-IPO Investors, C Squared Investment Inc. and C Squared Venture Capital Inc., invested in our Company• The Series B Pre-IPO Investors, IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P., invested in our Company |
| January 2009 | <ul style="list-style-type: none">• Our Company began to repurchase the Series A Preferred Shares from the Series A Pre-IPO Investors |
| September 2009 | <ul style="list-style-type: none">• Our WFOE, Zhejiang Tiange, was established in the PRC and provides technology services to our PRC Operating Entities |
| July 2010 | <ul style="list-style-type: none">• The Series C Pre-IPO Investor, SINA HK, invested in our Company |
| November 2010 | <ul style="list-style-type: none">• Our WFOE, Star Power, was established in the PRC and provides technology services to our PRC Operating Entities |
| June 2011 | <ul style="list-style-type: none">• 9158 International was dissolved as it no longer operated any business |
| January 2012 | <ul style="list-style-type: none">• The Series C Pre-IPO Investor converted all the Series C Preferred Shares held by it into ordinary shares of our Company |
| October 2012 | <ul style="list-style-type: none">• Our PRC Operating Entity, Xingxiu, was established for the purpose of operating Sina Show, which in cooperation with SINA Group, was operated by our other PRC Operating Entities |
| April 2013 | <ul style="list-style-type: none">• Our Company completed the repurchase of all the Series A Preferred Shares held by the Series A Pre-IPO Investors |
| August 2013 | <ul style="list-style-type: none">• Jinhua9158 and Beijing Star World formed a joint venture, Tianhu, in the PRC for the purpose of operating a variation of Sina Showcase and tiao58.com (跳舞吧), currently operated by Jinhua99 |

For further details on our corporate history and shareholding changes of the members of our Group since inception, please refer to the section headed “– Corporate History and Shareholding Changes of the Members of our Group” below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND GROUP STRUCTURE

The corporate and shareholding structure of our Company and our subsidiaries immediately before the Reorganization was as follows:



Notes:

- (1) Assuming all Series B Preferred Shares are converted into ordinary shares of our Company on a one-for-one basis.
- (2) The remaining 49% of the equity interest in Tianhu is owned by Beijing Star World, an Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

The companies comprising our Group underwent the Reorganization to rationalize our Group's structure in preparation for the Listing. The following table highlights the key steps in the Reorganization:

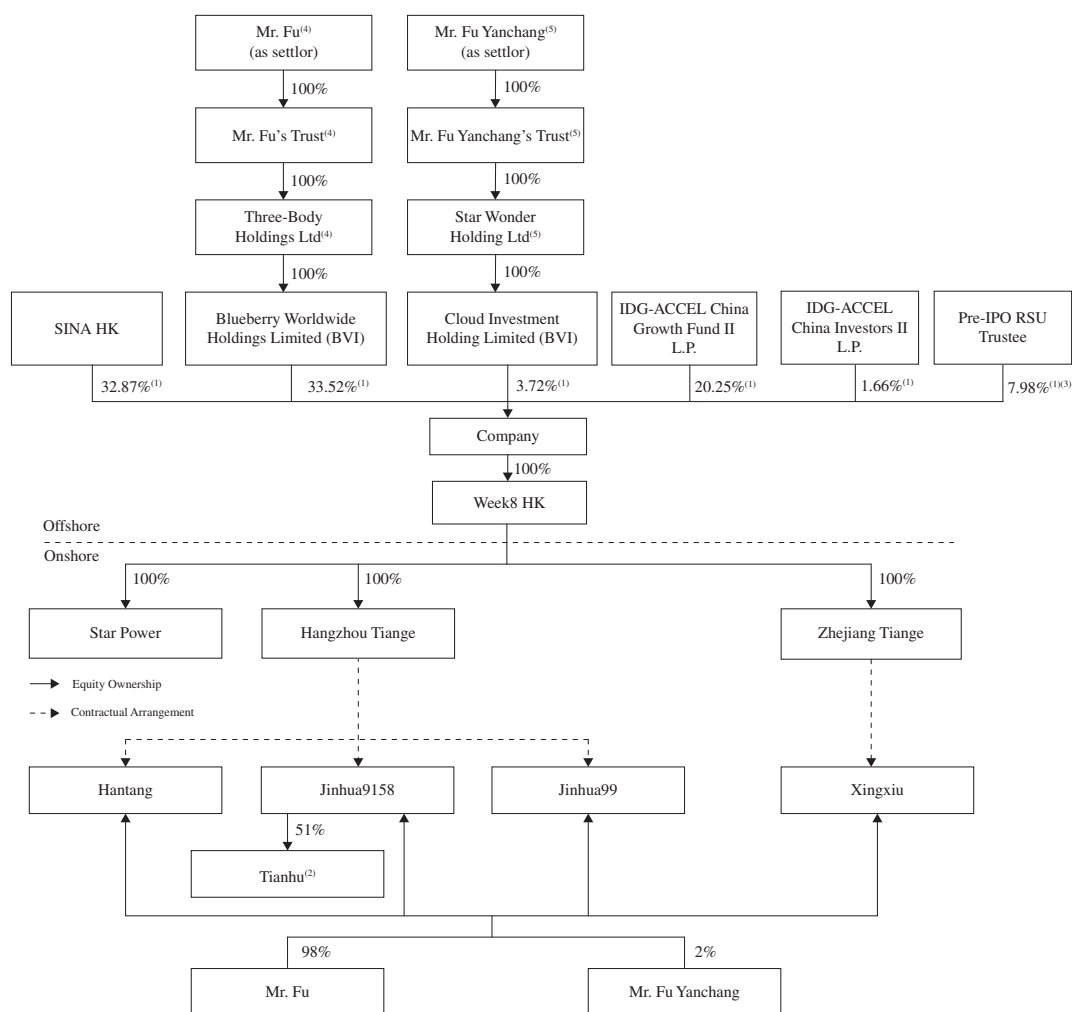
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| February to June 2014 | <ul style="list-style-type: none">To strengthen the control over our PRC Operating Entities, the existing shareholders of each of our PRC Operating Entities transferred all or part of their equity interests in each PRC Operating Entity to Mr. Fu. As a result of the equity transfers, each PRC Operating Entity is held as to 98% by Mr. Fu and 2% by Mr. Fu Yanchang. |
| June 2014 | <ul style="list-style-type: none">In connection with the equity transfer of the PRC Operating Entities, Hangzhou Tiange and Zhejiang Tiange, the PRC Operating Entities and their respective shareholders entered into new agreements underlying the Contractual Arrangements. Please refer to the section headed "Contractual Arrangements" in this prospectus for further details. |

Our PRC Legal Advisor has advised us that our Group has obtained all relevant approvals necessary to effectuate the Reorganization from the relevant authorities in the PRC and that the Reorganization complies with the relevant laws and regulations in the PRC.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE AND SHAREHOLDING STRUCTURE

The corporate and shareholding structure of our Company and our subsidiaries immediately after the Reorganization but before completion of the Capitalization Issue and the Global Offering is as follows:



Notes:

- (1) Assuming all Series B Preferred Shares are converted into ordinary shares of the Company on an one-for-one basis.
- (2) The remaining 49% of the equity interest in Tianhu is owned by Beijing Star World, an Independent Third Party.
- (3) As of the Latest Practicable Date, we have granted 7,280,000 RSUs pursuant to the Pre-IPO RSU Scheme, and Shares underlying such RSUs have been issued by us and allotted to the Pre-IPO RSU Trustee, an Independent Third Party, to administer the vesting of the RSUs pursuant to the Pre-IPO RSU Scheme.
- (4) The sole shareholder of Blueberry Worldwide Holdings Limited (BVI) is Three-Body Holdings Ltd, the holding vehicle incorporated in the BVI used by UBS Trustees (BVI) Limited, the trustee of Mr. Fu's Trust and which holds all the issued shares in Blueberry Worldwide Holdings Limited (BVI). The sole shareholder of Three-Body Holdings Ltd is UBS Nominees Limited, a company incorporated in the BVI, which holds the shares in Three-Body Holdings Ltd as nominee for UBS Trustees (BVI) Limited. Mr. Fu's Trust is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and Mr. Fu Yanchang.

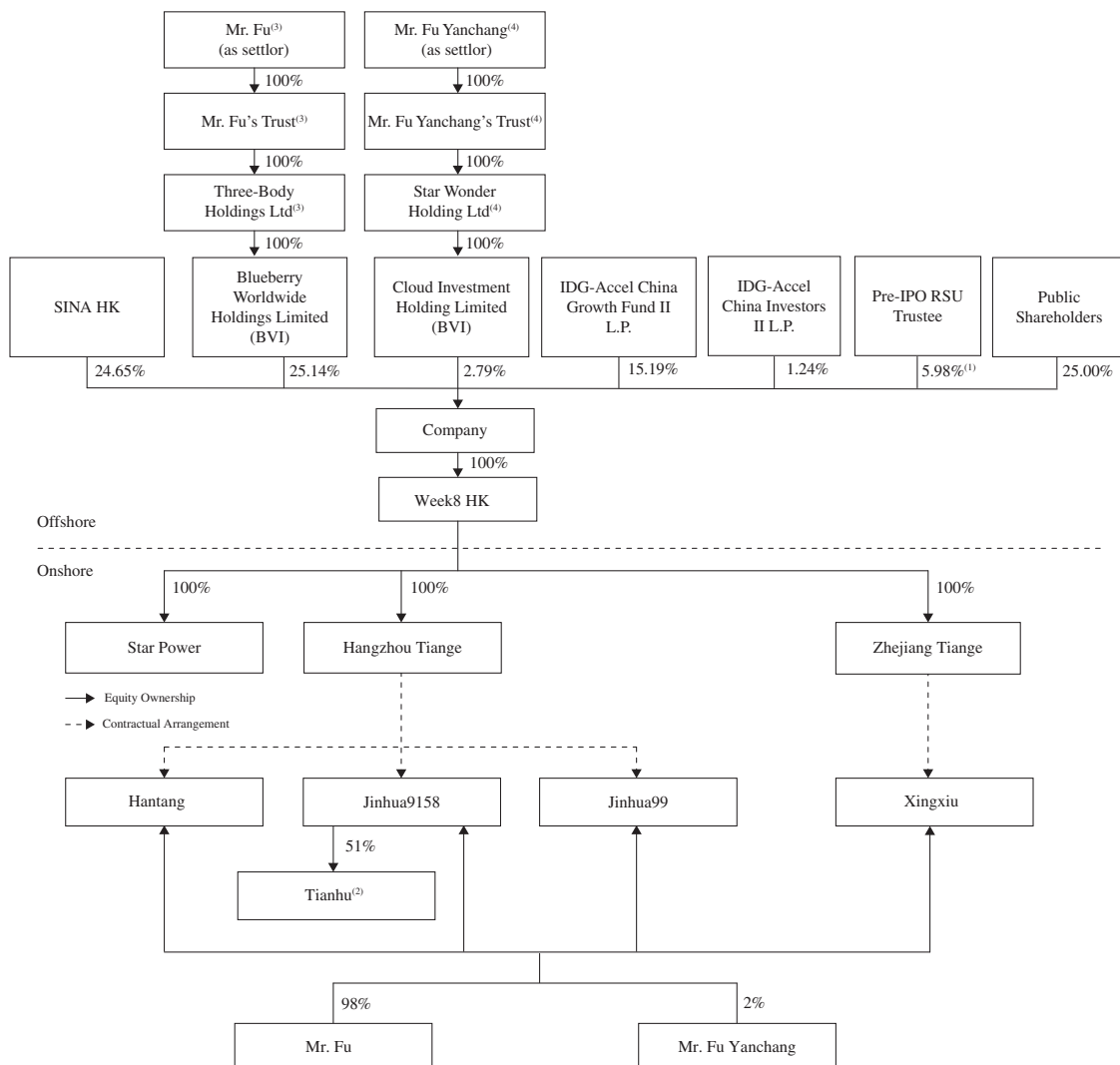
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (5) The sole shareholder of Cloud Investment Holding Limited (BVI) is Star Wonder Holding Ltd, the holding vehicle incorporated in the BVI used by UBS Trustees (BVI) Limited, the trustee of Mr. Fu Yanchang's Trust and which holds all the issued shares in Cloud Investment Holding Limited (BVI). The sole shareholder of Star Wonder Holding Ltd is UBS Nominees Limited, a company incorporated in the BVI, which holds the shares in Star Wonder Holding Ltd as nominee for UBS Trustees (BVI) Limited. Mr. Fu Yanchang's Trust is a discretionary trust established by Mr. Fu Yanchang (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and Mr. Fu Yanchang.

CAPITALIZATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorized to capitalize an amount of approximately US\$82,152 standing to the credit of the share premium account of our Company by applying such sum towards paying up in full at par a total of 821,520,000 Shares for allotment and issue, immediately prior to the Listing, to our Shareholders whose names appear on the register of members of our Company at the close of business on the business day preceding the Listing Date, on a pro rata basis.

The corporate and shareholding structure of our Company and our subsidiaries immediately following the completion of the Capitalization Issue and the Global Offering (assuming that all Series B Preferred Shares are converted to Shares on an one-for-one basis and the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options) will be as follows:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) As of the Latest Practicable Date, we have granted 7,280,000 RSUs pursuant to the Pre-IPO RSU Scheme, and Shares underlying such RSUs have been issued by us and allotted to the Pre-IPO RSU Trustee, an Independent Third Party, to administer the vesting of the RSUs pursuant to the Pre-IPO RSU Scheme.
- (2) The remaining 49% of the equity interest in Tianhu is owned by Beijing Star World, an Independent Third Party.
- (3) The sole shareholder of Blueberry Worldwide Holdings Limited (BVI) is Three-Body Holdings Ltd, the holding vehicle incorporated in the BVI used by UBS Trustees (BVI) Limited, the trustee of Mr. Fu's Trust and which holds all the issued shares in Blueberry Worldwide Holdings Limited (BVI). The sole shareholder of Three-Body Holdings Ltd is UBS Nominees Limited, a company incorporated in the BVI, which holds the shares in Three-Body Holdings Ltd as nominee for UBS Trustees (BVI) Limited. Mr. Fu's Trust is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and Mr. Fu Yanchang.
- (4) The sole shareholder of Cloud Investment Holding Limited (BVI) is Star Wonder Holding Ltd, the holding vehicle incorporated in the BVI used by UBS Trustees (BVI) Limited, the trustee of Mr. Fu Yanchang's Trust and which holds all the issued shares in Cloud Investment Holding Limited (BVI). The sole shareholder of Star Wonder Holding Ltd is UBS Nominees Limited, a company incorporated in the BVI, which holds the shares in Star Wonder Holding Ltd as nominee for UBS Trustees (BVI) Limited. Mr. Fu Yanchang's Trust is a discretionary trust established by Mr. Fu Yanchang (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and Mr. Fu Yanchang.

CORPORATE HISTORY AND SHAREHOLDING CHANGES OF THE MEMBERS OF OUR GROUP

We set out below the corporate history and shareholding changes of the members of our Group:

(i) 9158 International

9158 International was incorporated in the Cayman Islands with limited liability in April 2005. It was engaged in Internet business, which was different from the business of our Group. In May 2005, the Series A Pre-IPO Investors invested in 9158 International, providing funds for its operations of Internet business. Mr. Fu, who initially held one share of 9158 International, ceased to be a shareholder in November 2005 and was granted options to purchase ordinary shares of 9158 International for his continued contribution of technical knowledge and experience to the business of 9158 International. Until its acquisition by our Company in January 2009 (as described below), 9158 International was wholly owned by the Series A Pre-IPO Investors.

(ii) Our Company

Our Company was established as an exempted company with limited liability in the Cayman Islands on July 28, 2008, with an authorized share capital of US\$6,000 divided into 60,000,000 ordinary shares of US\$0.0001 each and 15,000,000 preferred shares of US\$0.0001 each. As of November 2008, Mr. Fu held 30,600,000 ordinary shares and Mr. Fu Yanchang held 3,400,000 ordinary shares of our Company. Our Company acts as a holding company of the other members of our Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Series A and Series B Pre-IPO Investments

In December 2008, the Series A Pre-IPO Investors subscribed for 15,000,000 Series A Preferred Shares of our Company at a consideration of US\$1,500,000. In addition, the Series B Pre-IPO Investors subscribed for 10,000,000 Series B1 Preferred Shares and warrants to purchase up to 10,000,000 Series B2 Preferred Shares of our Company at a consideration of US\$5,100,000. All warrants held by the Series B Pre-IPO Investors were exercised on July 30, 2009. For further details of such investments, please refer to the section headed “Pre-IPO Investors – Series B Pre-IPO Investors” below.

Acquisition of 9158 International

In connection with the investment by the Series B Pre-IPO Investors, in January 2009, our Company acquired the entire issued share capital of 9158 International from the Series A Pre-IPO Investors. The total consideration for the equity and debt of 9158 International was US\$1,815,000. As a result of the acquisition, 9158 International became a wholly-owned subsidiary of our Company. However, 9158 International was subsequently dissolved in June 2011 as it no longer operated any business.

Series C Pre-IPO Investment

In July 2010, the Series C Pre-IPO Investor subscribed for 10,000,000 redeemable ordinary shares and 20,000,000 Series C Preferred Shares of our Company at a consideration of US\$10,000,000. For further details of the Series C Pre-IPO Investment, please refer to the section headed “Pre-IPO Investors – Series C Pre-IPO Investor” below. In January 2012, the Series C Pre-IPO Investor converted all of the Series C Preferred Shares to ordinary shares of our Company on a one-for-one basis and waived the redemption rights attached to the redeemable ordinary shares. As a result, the Series C Pre-IPO Investor currently holds 30,000,000 ordinary shares of our Company.

Exit of Series A Pre-IPO Investors

In consideration of the investment by the Series B Pre-IPO Investors and the Series C Pre-IPO Investor, our Company began to repurchase the Series A Preferred Shares issued to the Series A Pre-IPO Investors from January 2009. Through a series of repurchases and cancellations, our Company repurchased and cancelled all of the 15,000,000 Series A Preferred Shares then held by the Series A Pre-IPO Investors in April 2013, at a total consideration of US\$14,927,500 determined with reference to the then financial performance of our Group and was based on arm’s length negotiations between our Group and the Series A Pre-IPO Investors and paid using our Company’s internal financial resources. As a result, having realized their investment, the Series A Pre-IPO Investors exited from our Company in pursuance of other business opportunities in April 2013.

Transfer of shares by Mr. Fu and Mr. Fu Yanchang

In September 2012, Mr. Fu transferred all of the 30,600,000 ordinary shares of our Company then held by him to Blueberry Worldwide Holdings Limited, a company incorporated in the British Virgin Islands and wholly owned by him, at par value. On the same day, Mr. Fu Yanchang transferred all of the 3,400,000 ordinary shares of our Company then held by him to Cloud Investment Holding Limited, a company incorporated in the British Virgin Islands and wholly owned by him, at par value.

(iii) Hantang

Hantang operates online games, publishes games operated by our PRC Operating Entities, provides play-on-demand service for movies and TV plays licensed from third parties, and provides technology support to our other PRC Operating Entities. It was incorporated in the PRC on September 14, 2004 by its founders, Mr. Chen Xiaokai (陳笑凱), Mr. Zhou You (周游), Mr. Dai Yanjie (戴焰節), Mr. Wang Lifeng (王利鋒) and Mr. Cen Qiaomu (岑喬木), all of whom are Independent Third Parties. Mr. Dai Yanjie subsequently transferred all of his equity interest in Hantang to Mr. Chen Xiaokai.

In October 2008, Mr. Fu acquired 90% equity interest in Hantang from Mr. Chen Xiaokai, Mr. Zhou You and Mr. Wang Lifeng, at a consideration of RMB900,000, and Mr. Fu Yanchang acquired 10% equity interest in Hantang from Mr. Cen Qiaomu at a consideration of RMB100,000. The consideration for these equity transfers was determined based on the then-registered capital of Hantang of RMB1,000,000 and contributed by Mr. Fu and Mr. Fu Yanchang. Since then, the equity interest and the registered capital of Hantang underwent the following changes:

- In October 2009, to provide more financial resources to Hantang for its operations, Mr. Fu and Mr. Fu Yanchang injected further capital of RMB8,100,000 and RMB900,000, respectively, into Hantang using loans from Hangzhou Tiange, increasing its registered share capital to RMB10,000,000.
- In September 2013, to align the shareholding of Hantang with the shareholding of our other PRC Operating Entities, Mr. Fu transferred all of his equity interest in Hantang to Mr. Li Chao, cousin of Mr. Fu's wife, at RMB9,000,000, being the amount of Mr. Fu's capital contribution to the registered capital of Hantang. In conjunction with the equity transfer, Mr. Li Chao replaced Mr. Fu as the borrower in the outstanding loan of RMB8,100,000 owed to Hangzhou Tiange for the injection of further capital into Hantang in September 2009 mentioned above. In consideration of the transfer of debt, the consideration for the transfer of equity interest owed by Mr. Li Chao was set off. As a result of this transfer of equity interest, Hantang was held as to 90% by Mr. Li Chao and 10% by Mr. Fu Yanchang.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- In March 2014, as part of the Reorganization, Mr. Li Chao transferred all of his equity interest in Hantang, and Mr. Fu Yanchang transferred 8% of his equity interest in Hantang, to Mr. Fu, for amounts equal to Mr. Li Chao's and Mr. Fu Yanchang's respective capital contribution for the registered capital of Hantang. The equity transfers were conducted to allow our Company, through our Controlling Shareholders, to strengthen its control over Hantang.

(iv) **Jinhua9158**

Jinhua9158 primarily engages in the operation of live social video communities such as 9158 Video Community. It was incorporated as a limited company in the PRC on November 18, 2008, with an initial registered capital of RMB1,000,000, fully paid by Mr. Fu Yanchang and Mr. Li Chao using loans from Hangzhou Tiange. At the time of its incorporation, Mr. Fu Yanchang and Mr. Li Chao held 70% and 30% equity interest in Jinhua9158, respectively. Since then, Jinhua9158 underwent the following changes in its equity interest and registered capital:

- In June 2009, to provide more financial resources to Jinhua9158 for its operations, Mr. Fu Yanchang and Mr. Li Chao injected RMB6,300,000 and RMB2,700,000 into Jinhua9158, respectively, increasing its registered capital to RMB10,000,000.
- In November 2009, in order to better allocate the financial resources of our Group, Jinhua9158 reduced its registered capital to RMB1,000,000 and returned the equity capital contribution of RMB6,300,000 and RMB2,700,000 to Mr. Fu Yanchang and Mr. Li Chao, respectively.
- In September 2011, in order to allow Jinhua9158 to satisfy the registered capital requirement of RMB10,000,000 for the application of a Network Cultural Business Permit (網絡文化經營許可證) to facilitate its expanded business, Mr. Fu Yanchang injected further capital of RMB6,300,000 and Mr. Li Chao injected RMB2,700,000 into Jinhua9158 using loans from Hangzhou Tiange. As a result, Jinhua9158's registered capital was again increased to RMB10,000,000.
- In March 2014, as part of the Reorganization, Mr. Fu Yanchang transferred 68% of his equity interest in Jinhua9158, and Mr. Li Chao transferred all of his equity interest in Jinhua9158, to Mr. Fu, for amounts equal to Mr. Li Chao's and Mr. Fu Yanchang's respective capital contribution to the registered capital of Jinhua9158. The equity transfers were conducted to allow our Company, through our Controlling Shareholders, to strengthen its control over Jinhua9158.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(v) Jinhua99

Jinhua99 primarily engages in the operation of Duoduo Games and also operates smaller live social video communities including happy88.com and paopao8.cn. It was incorporated as a limited company in the PRC on November 18, 2008, with an initial registered capital of RMB1,000,000, fully paid by Mr. Fu Yanchang and Mr. Li Chao using loans from Hangzhou Tiange. At the time of its incorporation, Mr. Li Chao and Mr. Fu Yanchang held 70% and 30% equity interest in Jinhua99, respectively. Since then, Jinhua99 underwent the following changes in its equity interest and registered capital:

- In November 2010, to provide more financial resources to Jinhua99 for its operations, Mr. Li Chao injected further capital of RMB6,300,000 and Mr. Fu Yanchang injected further capital of RMB2,700,000 into Jinhua99 using loans from Hangzhou Tiange, increasing its registered capital to RMB10,000,000.
- In March 2014, as part of the Reorganization, Mr. Li Chao transferred all of his equity interest in Jinhua99, and Mr. Fu Yanchang transferred 28% of his equity interest in Jinhua99, to Mr. Fu, for amounts equal to Mr. Li Chao's and Mr. Fu Yanchang's respective capital contribution to the registered capital of Jinhua99. The equity transfers were conducted to allow our Company, through our Controlling Shareholders, to strengthen its control over Jinhua99.

(vi) Xingxiu

Xingxiu primarily engages in the operation of Sina Show, which in cooperation with SINA Group, was operated by our other PRC Operating Entities. Xingxiu was incorporated as a limited company in the PRC on October 23, 2012, with an initial registered capital of RMB10,000,000, fully paid by Mr. Li Chao and Mr. Fu Yanchang using loans from Zhejiang Tiange. At the time of its incorporation, the equity interest of Xingxiu is held as to 70% by Mr. Li Chao and 30% by Mr. Fu Yanchang.

In February 2014, as part of the Reorganization, Mr. Li Chao transferred all of his equity interest in Xingxiu, and Mr. Fu Yanchang transferred 28% of his equity interest in Xingxiu, to Mr. Fu, for amounts equal to Mr. Li Chao's and Mr. Fu Yanchang's respective capital contribution to the registered capital of Xingxiu. The equity transfers were conducted to allow our Company, through our Controlling Shareholders, to strengthen its control over Xingxiu.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(vii) Tianhu

Pursuant to a joint venture agreement between Jinhua9158 and Beijing Star World, an Independent Third Party (other than its equity interest in Tianhu) and a VIE of Qihoo 360, a company listed on the New York Stock Exchange, Tianhu was established as a limited company in the PRC on August 29, 2013. The initial registered capital of Tianhu is RMB30,000, of which RMB15,300 was paid by Jinhua9158 and RMB14,700 was paid by Beijing Star World using their respective internal financial resources. In addition, Jinhua9158 also injected RMB9,977,500 into Tianhu as additional paid-in capital. At the time of its incorporation, Jinhua9158 holds 51% and Beijing Star World holds 49% of equity interest in Tianhu. Pursuant to the joint venture agreement, our Group will transfer the operation of our live social video communities, a variation of Sina Showcase and tiao58.com, to Tianhu, and Beijing Star World will transfer its software 360 Magic Camera to Tianhu, when Tianhu has obtained its ICP license and Network Cultural Business Permit.

(viii) Week8 HK and WFOEs

In addition, we have established Week8 HK as our direct wholly-owned subsidiary in Hong Kong on August 6, 2008. Week8 HK then established our WFOEs, Hangzhou Tiange on November 26, 2008, Zhejiang Tiange on September 25, 2009 and Star Power on November 16, 2010, in the PRC as Week8 HK's direct wholly-owned subsidiaries. Our WFOEs were established to provide technology services and to enter into the Contractual Arrangements with our PRC Operating Entities. The respective shareholding of Week8 HK and the WFOEs has remained the same since their respective incorporation.

Save as disclosed above, there are no other acquisitions and disposals of subsidiaries of our Group since the inception of our Group.

SAFE Circular 75

As disclosed in the section headed "Regulatory Overview – Regulations on Foreign Currency Exchange – SAFE Circular 75" in this prospectus, the SAFE Circular 75 requires PRC residents to register with the local SAFE counterpart before incorporating or acquiring control of an offshore special purpose vehicle, with assets or equity interests in an onshore company located in the PRC, for the purpose of offshore equity financing and to update or amend the registration upon any material change of shareholding or any other material capital alteration in such special purpose vehicle. Each of Mr. Fu and Mr. Fu Yanchang, both being PRC residents and beneficial owners of our Company, has completed the SAFE registration in respect of his investment in our Group in accordance with PRC laws. In particular, Mr. Fu and Mr. Fu Yanchang completed their initial SAFE registration at the Zhejiang local counterpart of SAFE in October 2008 and completed alteration registration in respect of the changes in their shareholding in our Company including their respective establishment of Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited at the Zhejiang local counterpart of SAFE in February 2014.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-IPO INVESTORS

Overview

The existing pre-IPO investors (the “**Pre-IPO Investors**”) of our Company are IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. which hold Series B1 Preferred Shares and Series B2 Preferred Shares of our Company, and SINA HK, which holds ordinary shares of our Company and part of which were converted from Series C Preferred Shares. Basic information of the Series B Pre-IPO Investment and Series C Pre-IPO Investment is set out below:

| | <u>Name of the Pre-IPO Investor</u> | <u>Number of shares subscribed</u> | <u>Date of share subscription agreement</u> | <u>Total consideration</u> | <u>Discount to Offer Price of HK\$4.90 (being the mid point of the Offer Price range)</u> | <u>Completion of the subscription and payment date of the consideration</u> |
|-----------------------------------|--|--|---|----------------------------|---|--|
| Series B Pre-IPO Investment | IDG-ACCEL China Growth Fund II L.P. and IDG- ACCEL China Investors II L.P. | 10,000,000 Series B1 Preferred Shares and warrants to purchase up to 10,000,000 Series B2 Preferred Shares at an exercise price of US\$0.30 for each Series B2 Preferred Share | December 30, 2008 | US\$5,100,000 | Series B1 Preferred Shares: 96.68% Warrants to purchase Series B2 Preferred Shares: 95.25% | All Series B1 Preferred Shares were subscribed on February 19, 2009 and all warrants to purchase Series B2 Preferred Shares were exercised on July 30, 2009. |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| | Name of the Pre-IPO Investor | Number of shares subscribed | Date of share subscription agreement | Total consideration | Discount to Offer Price of HK\$4.90 (being the mid point of the Offer Price range) | Completion of the subscription and payment date of the consideration |
|-----------------------------------|------------------------------------|---|---|--|--|---|
| Series C Pre-IPO Investment | SINA Hong Kong Limited | 10,000,000 ordinary shares with par value of US\$0.0001 and 20,000,000 Series C Preferred Shares | July 1, 2010 | (a) Consideration for 20,000,000 Series C Preferred Shares and 9,000,000 redeemable ordinary shares: US\$10,000,000 (b) Consideration for the additional 1,000,000 redeemable ordinary shares: the signing of: (i) an asset transfer agreement; (ii) a copyright transfer agreement; (iii) a trademark licensing agreement; and (iv) a domain name licensing agreement, by SINA HK or its affiliate and a member of our Group | 94.62% | All Series C Preferred Shares and ordinary shares were issued on July 15, 2010. |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Series B Pre-IPO Investors

Series B Share Subscription Agreement

| | |
|---|--|
| Name of Series B Pre-IPO Investors: | IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. |
| Date of Series B Pre-IPO share subscription agreement: | December 30, 2008 |
| Number of shares subscribed for by the Series B Pre-IPO Investors: | A total of 10,000,000 Series B1 Preferred Shares, of which IDG-ACCEL China Growth Fund II L.P. subscribed for 9,244,000 Series B1 Preferred Shares and IDG-ACCEL China Investors II L.P. subscribed for 756,000 Series B1 Preferred Shares. In addition, each of the Series B Pre-IPO Investors also subscribed for a warrant to purchase up to 10,000,000 Series B2 Preferred Shares at an exercise price of US\$0.30 for each Series B2 Preferred Share. The warrants were exercised in July 2009. As a result, the Series B Pre-IPO Investors held in aggregate 10,000,000 Series B2 Preferred Shares, of which IDG-ACCEL China Growth Fund II L.P. held 9,244,000 Series B2 Preferred Shares and IDG-ACCEL China Investors II L.P. held 756,000 Series B2 Preferred Shares. The Series B Preferred Shares held by IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. represented 26.99% and 2.21%, respectively, of the then issued share capital of our Company at the time of the closing of the Series B Pre-IPO Investment. |
| Total consideration: | US\$5,100,000 |
| Completion of the subscription and payment date of the consideration: | All Series B1 Preferred Shares were subscribed on February 19, 2009 and all warrants to purchase Series B2 Preferred Shares were exercised on July 30, 2009. |
| Price per Series B Preferred Share subscribed: | US\$0.21 per Series B1 Preferred Share and a warrant exercise price of US\$0.30 per Series B2 Preferred Share. |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| | |
|---|---|
| Basis of determination of the consideration: | The then financial performance of our Group and market comparables of other live social video communities operators and was based on arm's length negotiations between our Group and the Series B Pre-IPO Investors. |
| Discount to the Offer Price of HK\$4.90 (being the mid point of the Offer Price range): | Series B1 Preferred Shares: 96.68% Warrants to purchase Series B2 Preferred Shares: 95.25% |
| Use of proceeds from the Series B pre-IPO Investment: | The proceeds from the Series B pre-IPO Investment had been fully utilized for the expansion of our business and continued development of our live social video communities. |
| Strategic benefits the Series B Pre-IPO Investors brought to our Company: | In conjunction with the Series B Pre-IPO Investment, the Series B Pre-IPO Investors offer advice to our Group in relation to our Group's business and in preparation for our Listing based on their extensive experience gained from advising companies in their investment portfolios, which our Directors believe have brought strategic benefits to our Group. |
| Shareholding of the Series B Pre-IPO Investors in our Company immediately following the completion of the Capitalization Issue and the Global Offering: | On the basis that the Series B Preferred Shares are convertible into ordinary shares of our Company on a one-for-one basis, the Series B Pre-IPO Investors will hold in aggregate approximately 16.43% of the total issued share capital of our Company, of which IDG-ACCEL China Growth Fund II L.P. will hold approximately 15.19% and IDG-ACCEL China Investors II L.P. will hold approximately 1.24% (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options, or pursuant to the Post-IPO RSU Scheme). |

Information on the Series B Pre-IPO Investors

Each of IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. is a limited liability partnership incorporated in the Cayman Islands. They are venture capital funds principally engaged in the investment in start-up companies with PRC-related businesses. They are managed by IDG Capital Partners, whose general partner is IDG-ACCEL China Growth Fund II Associates L.P., whose general partner is in turn IDG-ACCEL China Growth Fund GP II Associates Ltd.. IDG-ACCEL China Growth Fund GP II Associates Ltd. is owned by certain individuals, including Quan Zhou and Chi Sing Ho. Prior to the Series B Pre-IPO Investment, the Series B Pre-IPO Investors and their ultimate beneficial owner were

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Independent Third Parties. As the Series B Pre-IPO Investors will collectively hold more than 10% of the total issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering, the Series B Pre-IPO Investors will be a substantial shareholder of our Company upon Listing and hence a connected person of our Company. Accordingly, all shares held by the Pre-IPO Investors shall not be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

Series B Preferred Shares

The Series B Preferred Shares represented approximately 29.20% of the then issued share capital of our Company at the time of the closing of the Series B Pre-IPO Investment and as enlarged by the issue of the Series B Preferred Shares.

Both the Series B1 Preferred Shares and the Series B2 Preferred Shares are convertible into ordinary shares of our Company on a one-for-one basis. Each Series B1 Preferred Share and each Series B2 Preferred Share shall carry the same number of votes as each ordinary share.

Special rights

The Series B Pre-IPO Investors are entitled to the following special rights, all of which shall automatically be terminated upon Listing when the Series B Preferred Shares were converted into Shares.

(i) Conversion rights

Each Series B1 Preferred Share and Series B2 Preferred Share will be converted into such number of ordinary shares determined by dividing the “**Series B1 Original Purchase Price**” or “**Series B2 Original Purchase Price**”, as applicable, by the “**Series B1 Conversion Price**” or “**Series B2 Conversion Price**”, as applicable. The Series B1 Conversion Price and Series B2 Conversion Price are initially the Series B1 Original Purchase Price and the Series B2 Original Purchase Price, respectively, and shall be adjusted from time to time according to the price adjustment mechanism provided below. The initial conversion ratio for the Series B Preference Shares to ordinary shares shall be 1:1.

Optional Conversion

At the option to the holder, a Series B Preferred Share may be converted into fully-paid ordinary shares based on the then-effective conversion price.

Automatic Conversion

The Series B Preferred Shares shall be converted into ordinary shares upon the closing of a Qualified IPO or with the consent of the holders of at least a majority of the then-outstanding Series B Preferred Shares.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

“**Qualified IPO**” means a firm commitment underwritten public offering pursuant to, among other things, securities laws in connection with listing on an internationally recognized stock exchange with gross proceeds to our Company of at least US\$50 million and an implied pre-offering market capitalization in excess of US\$250 million. The Series B Pre-IPO Investors, Series C Pre-IPO Investor and the Company have agreed that the Global Offering and Listing shall constitute a Qualified IPO.

(ii) Price adjustment rights

The conversion price of the Series B Preferred Shares shall be adjusted upon the occurrence of (a) our Company issues securities without consideration or at a price lower than the conversion price, or (b) stock split, stock dividends, combination, consolidation, subdivision and similar dilutive events.

(iii) Dividend right

Holders of Series B Preferred Shares are entitled to receive dividends at an annual rate of eight percent (8%), payable in preference and priority to any declaration or payment of dividend on the ordinary shares of our Company.

(iv) Drag-along rights

For so long as the holders of at least two thirds (2/3) of the Series B Preferred Shares consent to sell or transfer of all the Series B Preferred Shares held by them in an acquisition or sale of assets in which each holder of outstanding ordinary shares of our Company would receive at least US\$2.50 per ordinary share, the Company shall notify and procure the remaining holders of ordinary shares to agree to sell or transfer all of its shares in such acquisition or sale of assets on the same terms and conditions as were agreed to by the approving holders of Series B Preferred Shares.

(v) Director nomination right

For so long as the Series B Pre-IPO Investors hold at least 10,000,000 Series B Preferred Shares, they are entitled to nominate one director (the “**Series B Director**”) to our Board and shall have the exclusive right to remove and replace such director.

(vi) Representation right

For so long as the Series B Pre-IPO Investors hold 10,000,000 Series B Preferred Shares, the affirmative vote of the Series B Director is required for the Board’s approval of certain matters, including establishment of committees, local boards or agencies for managing the affairs of the Company, appointment of members of such committees, local boards or agencies and delegation of the Directors’ power, authorities and discretions to such committees, local boards or agencies.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In addition, two-thirds consent are required from the Series B Pre-IPO Investors for the appointment or dismissal of senior management personnel of and above vice president level or any employee with the total compensation ranking within top five of any Group Company, including the chief executive officer and the chief financial officer. The nomination and removal of the chief executive officer require affirmative vote representing at least 75% of the aggregate number of the outstanding ordinary shares and Series B Preferences Shares, as a single class on an as-converted basis, and the affirmative vote of more than 75% of the directors of the Board, including the Series B Director.

Furthermore, our Company shall invite a representative of the Series B Pre-IPO Investors to attend all meetings of our Board in a non-voting observer capacity.

(vii) Redemption rights

At the request of holders of at least two thirds (2/3) of the outstanding Series B Preferred Shares (calculated on an as-converted basis), our Company shall redeem all or part of the outstanding Series B1 Preferred Shares and/or Series B2 Preferred Shares held by such requesting holder(s) at a redemption price per Series B Preferred Share of the original purchase price of the Series B Preferred Share plus annual interest of 15% and all declared but unpaid dividends. The Series B Pre-IPO Investors subsequently waived their redemption rights, which waiver took effect for the period commencing from the fourth anniversary of the issue date of the Series B Preferred Shares to December 31, 2014.

(viii) Information rights

Holders of any Series B Preferred Shares or ordinary shares converted from such preferred shares shall have certain information and inspection rights, including rights to (a) receive the Company's financial statements, annual budgets, business plans and capitalization of the Company and each of its subsidiaries, promptly written materials regarding any event that may cause material litigation on the Company's shareholder and its subsidiaries, (b) visit the Company's site to inspect properties and examine books and records, and (c) discuss the business, operations and conditions of the Company and its subsidiaries.

(ix) Pre-emptive right

Holders of at least 10,000,000 Series B Preferred Shares shall have a right of first offer to purchase new securities issued by our Company on a pro rata basis.

(x) Veto rights

For so long as the Series B Pre-IPO Investors hold at least 10,000,000 Series B Preferred Shares the approval of holders of at least two thirds (2/3) of the Series B Preferred Shares is required for, among others, issue of new securities by our Company, declaration of dividend, change of our principal business activities, enter into related party transactions, incurring of sizeable debt, and in relation to our WFOEs and PRC Operating Entities, amendment of charter documents, increase of registered capital, disposal of assets, change in business scope and appointment of general manager.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(xi) Right of first refusal and right of co-sale

Holders of at least 10,000,000 Series B Preferred Shares shall, concurrently with our Company, have a right of first refusal to purchase all or any part of the ordinary shares offered to be sold by Mr. Fu or Mr. Fu Yanchang (the “**Offered Shares**”). If our Company and any Series B Pre-IPO Investor have not elected to purchase all or any portion of the Offered Shares, Mr. Fu or Mr. Fu Yanchang may transfer the remaining portion of the Offered Shares to third party transferees, subject to a right of co-sale of the Series B Pre-IPO Investors to participate in such sale of the Offered Shares on the same terms.

Series C Pre-IPO Investor

Series C Share Subscription Agreement

| | |
|---|--|
| Name of Series C Pre-IPO Investor: | SINA Hong Kong Limited |
| Date of Series C Pre-IPO share subscription agreement: | July 1, 2010 |
| Number of shares subscribed for by the Series C Pre-IPO Investor: | 10,000,000 redeemable ordinary shares with par value of US\$0.0001 and 20,000,000 Series C Preferred Shares, representing 33.13% of the then issued share capital of our Company at the time of the closing of the Series C Pre-IPO Investment. |
| Total consideration: | The consideration for 20,000,000 Series C Preferred Shares and 9,000,000 redeemable ordinary shares was US\$10,000,000. As amended by a supplemental agreement dated February 17, 2014, the consideration for the additional 1,000,000 redeemable ordinary shares was the signing of: (i) an asset transfer agreement; (ii) a copyright transfer agreement; (iii) a trademark licensing agreement; and (iv) a domain name licensing agreement, by SINA HK or its affiliate and a member of our Group on the same date of the signing of the Series C Share Subscription Agreement. |
| Completion of the subscription and payment date of the consideration: | The Series C Preferred Shares and redeemable ordinary shares were issued on July 15, 2010. |
| Price per ordinary share and per Series C Preferred Share subscribed: | US\$0.34 per redeemable ordinary share and per Series C Preferred Share. There is no guaranteed discount to our Offer Price or market capitalization. |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| | |
|--|--|
| Basis of determination of the consideration: | The then financial performance of our Group and market comparables of other live social video communities operators and was based on arm's length negotiations between our Group and the Series C Pre-IPO Investor. |
| Discount to the Offer Price of HK\$4.90 (being the mid point of the Offer Price range): | 94.62% |
| Use of proceeds from the Series C Pre-IPO Investment: | The proceeds from the Series C Pre-IPO Investment had been fully utilized for the expansion of our business and continued development of our live social video communities. |
| Strategic benefits the Series C Pre-IPO Investor brought to our Company: | In conjunction with the Series C Pre-IPO Investment, the Series C Pre-IPO Investor offers advice to our Group in relation to our Group's business and in preparation for our Listing based on their extensive experience gained from advising on operations of live social video communities. In addition, the Series C Pre-IPO Investor granted our Group the right to operate Sina Show, in cooperation with SINA Group, and intellectual property rights related to such operation. As such, our Directors believe the Series C Pre-IPO Investor has brought strategic benefits to our Group. |
| Shareholding of the Series C Pre-IPO Investor in our Company immediately following the completion of the Capitalization Issue and the Global Offering: | Approximately 24.65% of the total issued share capital of our Company (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options, or pursuant to the Post-IPO RSU Scheme). |

Information on the Series C Pre-IPO Investor

SINA HK is a wholly-owned subsidiary of Sina Corporation, an online media company listed on the NASDAQ. Other than the investment in our Group as disclosed above in this prospectus, the Series C Pre-IPO Investor and its ultimate beneficial owner are independent from our Group and connected persons of our Company. As SINA HK will hold more than 10% of the total issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering, SINA HK will be a substantial shareholder of our Company upon Listing and hence a connected person of our Company. Accordingly, all shares held by SINA HK shall not be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Series C Preferred Shares

All the Series C Preferred Shares were converted into ordinary shares of our Company on January 4, 2012. The total number of ordinary shares (including redeemable ordinary shares) of our Company held by the Series C Pre-IPO Investor represents approximately 33.13% of the then issued share capital of our Company at the time of the closing of the Series C Pre-IPO Investment as enlarged by the issue of the Series C Preferred Shares. Prior to the issuance of the Series C Preferred Shares, the Series B Pre-IPO Investors agreed to waive their right of first offer in relation to the Series C Preferred Shares.

Special rights

The Series C Pre-IPO Investor is entitled to the following special rights, all of which shall be terminated upon Listing.

(i) Director nomination right

For so long as the Series C Pre-IPO Investor holds at least 10,000,000 ordinary shares of our Company, they are entitled to nominate one director to our Board and shall have the exclusive right to remove and replace such director.

(ii) Information rights

The Series C Pre-IPO Investor shall have certain information and inspection rights, including rights to (a) receive the Company's financial statements, annual budgets, business plans and capitalization of the Company and each of its subsidiaries, promptly written materials regarding any event that may cause material litigation on the Company's shareholder and its subsidiaries, (b) visit the Company's site to inspect properties and examine books and records, and (c) discuss the business, operations and conditions of the Company and its subsidiaries.

(iii) Pre-emptive right

For so long as the Series C Pre-IPO Investor holds at least 10,000,000 ordinary shares of our Company, it shall have a right of first offer to purchase new securities issued by our Company on a pro rata basis.

(iv) Registration rights

The Series C Pre-IPO Investor is granted certain registration rights with respect to any potential public offering of the Shares in the United States or any other jurisdiction in which the Company undertakes to publicly offer or list the Shares for trading on a recognized securities exchange. These registration rights shall not be applicable to any offer or listing of the Shares on the Hong Kong Stock Exchange and shall terminate upon the Listing.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Financial reporting requirements of the Series C Pre-IPO Investor

After Listing, our Company will provide such financial information of our Company to the Series C Pre-IPO Investor to the extent that such financial information is necessary to satisfy its financial reporting requirements, and to provide the Series C Pre-IPO Investor a reconciliation of such financial information between IFRS and US GAAP, no later than the prescribed timeframe for the announcement of the relevant financial results, if any, as set forth in the Listing Rules. Our Company will make simultaneous disclosure to all its Shareholders by way of public announcement when our Company provides any such financial information to the Series C Pre-IPO Investor.

Confirmation from the Joint Sponsors

The Joint Sponsors have confirmed that the Series B Pre-IPO Investment and the Series C Pre-IPO Investment are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010, Guidance Letters HKEx-GL43-12 (issued in October 2012 and updated in July 2013) and HKEx-GL44-12 (issued in October 2012).

OVERVIEW

Our mission is to bring optimism and joy to the masses through live social video interaction. We are the largest live social video platform in China in terms of total user spending. According to iResearch, our market share of China's live social video community market in terms of total user spending reached 33.9% in 2013, compared to 23.1% for our closest competitor in the same period. We currently operate eight "many-to-many" live social video communities, including 9158 Video Community and Sina Show, our two primary communities, and one "one-to-many" community, Sina Showcase.

Our platform has one of the most diverse selections of live user-generated content in the live social video community industry. We design our core user experience attributes to be fun, convenient, innovative and interactive. Through our "many-to-many" video streaming model, where multiple users can stream simultaneously to viewers in the same real-time video room, our platform enables people to interact and socialize in real-time video rooms and in groups with similar interest. We encourage the sharing of interests and the showcase of talent and knowledge, and our user generated content gains open and public exposure. Each participant has the freedom to participate with hosts, users on air, and other users for an engaging, personalized and true community experience. We have real-time video rooms in genres such as music, talk shows, social networking, finance and education, giving viewers access to live and interactive user-generated content in different interest areas. We also offer traditional "one-to-many" community that is more host-centric and caters to users with lower participation requirements.

We engage users with a diversified selection of virtual goods that users can purchase for themselves or send to room hosts or other users as tokens of support or appreciation. This has resulted in higher levels of engagement and monetization, with our platform's average monthly active users, or MAUs, increasing from approximately 7.5 million in 2011 to 8.0 million and 10.8 million in 2012 and 2013, respectively, and average monthly paying users, or MPUs, increasing from approximately 194,000 to 209,000 and 270,000 during the same periods.

We generate revenues primarily through the sales of virtual goods on our platform. Users can purchase virtual goods using virtual currency, which is in turn purchased from sales agents or directly from us online. To increase the operation efficiency of our live social video platform, we cooperate with distributors who are responsible for day-to-day management of sales agents and promotion functions, such as host recruitment and marketing. Distributors enter into annual distribution agreements with us, pursuant to which they have the right to purchase virtual currency from us on a set discounted basis. They then enter into sub-distribution agreements with sales agents, who are responsible for sales to end users. The interaction between our hosts, users, distributors, sales agents and other participants on our platform, such as room managers, has formed a unique and established system that provides us with high barriers to entry and enhances our competitive position.

BUSINESS

Our superior user experience is based on the foundation of our strong technological capabilities and infrastructure. For example, the technology infrastructure underlying our platform can support up to 100,000 concurrent users per room and up to 50,000 streams of live video per community at any given time. Through our proprietary audio-video streaming technologies, scalable infrastructure and cloud services, and dedicated content control system, we allow our users to perform, interact and communicate via high-quality and reliable real-time video across PC, mobile and web clients.

Leveraging the strength of our user base, we have expanded into the mobile games market through the launch of “Three Kingdoms”, a third-party developed mobile game that we license. We expect to release an additional six to eight self-developed and third-party developed mobile games, certain of which has interactive video functions, in 2014, which allows us to leverage our large social video community, diversify our revenue mix and drive our future growth. We believe that our large and rapidly expanding user base provides us with high cross-promotion potential and low customer acquisition costs.

We have grown rapidly during the Track Record Period. Our revenue has increased from RMB384.4 million in 2011 to RMB455.8 million in 2012 and RMB548.2 million in 2013. We had net loss of RMB80.6 million, RMB27.2 million and RMB92.6 million in 2011, 2012 and 2013, respectively, and our adjusted net profit was RMB139.9 million, RMB158.4 million and RMB206.3 million during those same periods. Please refer to the section headed “Non-IFRS Measures” for details.

OUR STRENGTHS

We believe the following key strengths distinguish us from our competitors and position us for significant growth in the future:

Leading market position

We are the largest live social video platform in China in terms of total user spending, and we are the pioneer and leader in the “many-to-many” model. According to iResearch, our market share of China’s live social video community market in terms of total user spending reached 33.9% in 2013, compared to 23.1% for our closest competitor in the same period. We operate eight “many-to-many” communities under our platform, including 9158 Video Community and Sina Show, our two primary communities, and one “one-to-many” community, Sina Showcase. The average MAUs of our live social video platform has increased from 7.5 million in 2011 to 8.0 million and 10.8 million in 2012 and 2013, respectively. During the same period, our average monthly hosts and users on air has increased from approximately 341,000 to 456,000 and 577,000, evidencing increasing user engagement and interaction. In the fourth quarter of 2013, we had average peak concurrent users of approximately 635,000.

Diverse and engaging content

Our platform offers one of the most diverse selections of user-generated content in the live social video community industry. Each of these communities provide live video content in genres ranging from music and karaoke to talk shows, social networking, finance, education and games. We provide an easy-to-use platform for grassroots performers to register and open real time video rooms to exhibit their talents to a large viewer base, and thereby gain a sense of achievement. Meanwhile, viewers have an opportunity to participate as users on air, as evidenced by our average monthly active users on air spending an average of 2.7 hours “on air” per month in the fourth quarter of 2013. Our social networking model encourages host-to-host, host-to-user and user-to-user interaction. These interactions, particularly across our “many-to-many” model, create a sense of community and belonging and raises user retention rates and loyalty. As of December 31, 2013, our platform had approximately 26,000 real-time video rooms of categorized and easily searchable live social video content, of which 72% have been active and open to the public for more than one year. In 2013, our active users spent an average of 20.1 hours per month on our platform.

Established and trusted ecosystem

The participants in our communities and the underlying infrastructure of our platform form an established and trusted social ecosystem with high barriers to entry. This ecosystem offers a unique blend of three of the fastest growing online communication formats: social networking services, online live video and real-time interaction. Leveraging our technology and content control system, we provide a safe and healthy environment, and the combination of such capabilities with these formats creates an engaging user experience that we believe stands out in the live social video community industry.

Our platform is open and simple-to-use, and we encourage hosts, users on air and viewers to participate to select a community and create real-time user generated video content. We also enable participants in our ecosystem to invest time, economics and emotion with each other. For example, room managers and sales agents rely on the other players in the ecosystem for financial livelihood, while hosts, users on air and viewers rely on the other players in the ecosystem for social interaction and a sense of personal achievement. This interdependence forms high barriers to entry, as it is difficult for our competitors to attract or replicate the existing people we have at each node of our ecosystem.

Essential to building trust with users and maintaining a healthy ecosystem, we have a dedicated content control system. We continuously develop proprietary software that is designed to automatically identify potentially inappropriate content for immediate review by our content monitoring team and for remediation by the appropriate authorities.

Proven monetization model

We derive a substantial majority of our revenues from our live social video platform. We offer a diversified selection of virtual goods that serve as the foundation of user interaction on our platform. Our in-house R&D team has been particularly successful at developing virtual gifts and items that stimulate interaction among users, with over 910 types of virtual gifts and items with various aesthetic and utility benefits and a wide range of prices catering to all types of users. This diversity allows our users to make purchases based on their needs and means and offers them substantial flexibility for their time and money spent on our platform. As a result, average monthly virtual gifts exchanged between users on our platform was 5.7 billion in 2013. Additionally, we offer different tiers of membership subscriptions to our users, which provide them with a wide range of privileges such as access to full rooms and special titles.

Strong product development and engineering capabilities

As of December 31, 2013, we had 315 research and development professionals who focus on developing, maintaining and innovating our strong technological capabilities, including:

- *High-quality, multicast video streaming and media processing.* Our real-time online video rooms leverage sophisticated distributed video multicast technology and enable best-in-class video quality in line with the latest industry standards and audio effects approaching offline KTV hardware quality. We have advanced proprietary technologies such as synchronous multi-microphone support, which supports up to ten audio feeds into the same video stream, and latency-reducing technology to lower our bandwidth costs, decrease user lag and load times, and optimize performance.
- *Scalable infrastructure and cloud services.* As one of few companies in China with expertise in live video streaming media processing, we have established a strong technology infrastructure that currently supports up to 100,000 concurrent users per room and up to 50,000 live video streams per community at once, via servers at over 20 Internet data centers and cloud-based remote-access servers throughout China. This infrastructure is highly scalable and allows us to benefit from economies of scale as we expand our business, and we continue to design more advanced technologies. Our cloud-based technology also provides our users with services such as live performance recording, cloud storage and “cloud rating” technology that can score a performance through identifying the similarities between a user’s singing and the original version.

Seasoned management team with extensive industry experience and proven execution capabilities and strong shareholder support

Our senior management possesses strong execution ability and extensive industry expertise. Our founder and core management team have extensive knowledge and experience in China's Internet and media industries, especially China's live social video community industry, and mastery of live multicast video streaming technologies and its applications in the PRC market, business environment and regulatory regime. Our founder, chairman and chief executive officer, Mr. Fu, has over ten years of experience in China's Internet industry, and other members of our senior management team have an average of over 10 years of experience in China's Internet industry. Our senior management has demonstrated strong execution capabilities and a proven track record of success. For example, since we undertook the operations of Sina Show in 2010, its revenues has increased from less than RMB2.0 million in 2010 to RMB232.2 million in 2013. Additionally, we are supported by shareholders such as Sina Corporation, who has provided and continues to provide us with marketing support, and IDG Capital, who has provided us with valuable insight into corporate governance. We believe that the extensive experience and strength of our management team as well as the strong support of our shareholders will allow us to further execute our growth strategies and to achieve continued success.

OUR STRATEGIES

Our goal is to strengthen our position as the largest live social video platform in China. To achieve our goal, we intend to:

Continue to grow our user base

We are committed to investing in development of new real-time video content genres, expanding our live social video community and attracting new hosts, users on air and room managers to maintain our competitive advantage in our existing ecosystem. We intend to further expand and diversify from music and entertainment into new content genres, such as finance, medicinal knowledge and e-commerce, and new online communication formats such as online interactive radio. In addition to developing new content genres and media formats, we will continue to attract and develop new hosts, users on air and room managers to increase the stickiness of our social ecosystem.

We plan to continue to promote and expand our mobile game business, with a core focus on improving interactivity, such as innovating new types of interactive mobile games. We will also leverage our cross-promotion capabilities to promote our games, as well as other new product offerings. We also plan to increase our marketing expenditures for promotional activities such as live streamed concerts, celebrity endorsements, online and offline fan club events and television promotion of our interactive products to attract new users.

Further enhance user experience and engagement

We aim to continue to enrich user experience across all aspects of our live social video ecosystem to further enhance our user stickiness. We will continue to develop targeted content, services and marketing campaigns that will cross-promote our existing products and services, enhance user interactivity and diversify forms of user engagement. We also intend to continue to expand our portfolio of virtual goods to offer virtual gifts and items that reflect the latest social and pop culture trends to capture their interest.

Additionally, we are committed to further investment in research and development to maintain our competitive advantage in online interactive video technologies and enhance user experience. Specifically, we plan to:

- Further improve the video quality and data compression ratio of our platform, as well as our mobile apps for accessing our primary communities, to transform and extend existing content into mobile-compatible and friendly formats;
- Maintain and strengthen our leadership in “many-to-many” video streaming technology;
- Further enhance the audio-reverb effect to reach offline karaoke hardware levels;
- Further enhance our bandwidth infrastructure and cloud storage capacity;
- Continue to develop new Internet products and services, including the voice recognition and rating system as well as automated customer service tools.

Expand mobile offerings and cross-device capabilities

We plan to leverage the brand strength and user base of our platform with our mobile content delivery capabilities to give users the flexibility to access our content anytime and anywhere. Users can have a seamless experience in accessing most of our communities through mobile apps. As these mobile apps become more popular, we will develop new mobile-specific features and interfaces to cater to the needs of our mobile user base, including features that will allow hosts and users on air to stream from mobile devices. Through these features, we aim to attract users who prefer to access social networks and live video through mobile devices rather than PCs. We will execute our mobile strategy to adapt to technological and infrastructure shifts in China, including the recent rollout of the 4G network, which will support high-quality video streams on mobile devices.

Additionally, we plan to significantly expand our presence in the mobile games market following the commercial launch of our first mobile game, “Three Kingdoms”, which gained widespread popularity and had total monthly active users and paying users of approximately 238,000 and 23,000, respectively, in January 2014. We will utilize our knowhow and expertise in video streaming to build interactive video functions into mobile games, which is relatively unique in the mobile games industry. We plan to release six to eight self-developed and third party-developed mobile games in 2014, and expect revenue from mobile games to become increasingly significant to our results of operations.

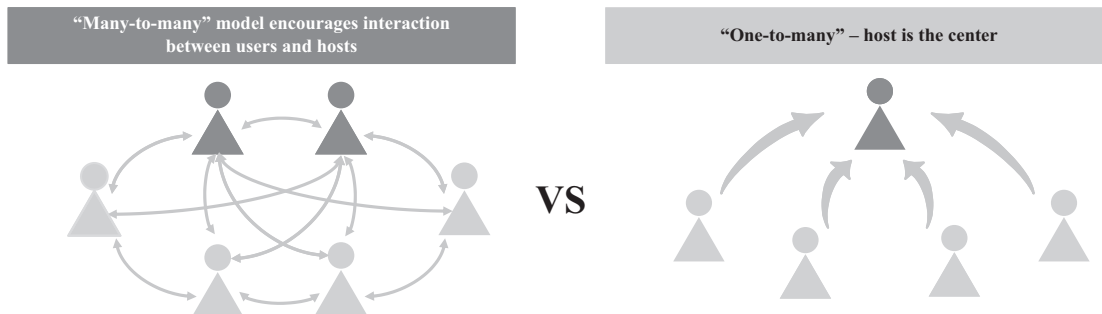
Selectively pursue business expansion via partnerships and acquisitions

We aim to further increase our platform and services' penetration in Chinese-language countries by selectively partnering with, investing in or acquiring other companies. We will initially target companies with large user bases and similar interactive product offerings as us or those in our upstream and downstream markets although we have not identified any acquisition targets. We believe these horizontal and vertical partnerships or acquisitions will significantly enhance the growth profile and competitive positioning of our live social video services. We aim to leverage our strong technological capabilities and infrastructure, large and loyal user base and established social ecosystem to quickly achieve success in any newly entered markets and sectors.

OUR BUSINESSES

Live Social Video Platform

Our core business is the operation of our live social video platform, which includes “many-to-many” and “one-to-many” communities. The “many-to-many” communities that we operate include 9158 Video Community (9158 視頻社區) and Sina Show (新浪秀), our two primary communities, Duoduo Games, a community focused on interactive video-enabled casual games, and five other communities with different content and geographic focuses. The following diagram sets out the distinction between the “many-to-many” model and “one-to-many” model:



As of December 31, 2013, our platform had approximately 26,000 real-time video rooms with user-generated content broadcasted to viewers. This user-generated content ranges from singing and other musical performances to talk shows and educational services. In addition to hosts, users themselves can go on air, such as through singing to other users in the room using our karaoke feature or sharing personal experiences and knowledge.

Our platform empowers users to participate and display their talents, share knowledge to a large viewer base and generate content for public exposure. In return, other viewers can engage and interact with hosts, users on air and other viewers for a personalized community experience.

Users can interact with hosts and other users through chatting, sending and receiving virtual gifts and room-wide expression through virtual items. Virtual gifts and virtual items can be purchased on our platform using our virtual currency, which can be purchased directly from us online or from sales agents engaged by our distributors.

BUSINESS

In addition, our communities offer a multi-tiered membership system that facilitates and nurtures the development of users from passive to more active interaction, and thereby potentially increasing revenue contribution from loyal members of higher stickiness. Users can purchase membership bundles, which have set amounts of virtual currency, along with exclusive privileges, such as entering popular rooms which are already full, prestigious “titles” displayed next to their user names and appearing at the top of the room’s user list.

Our live social video platform’s total accumulated registered users increased from 77.9 million as of December 31, 2011 to 143.9 million and 205.1 million as of December 31, 2012 and 2013, respectively. Average MAUs increased from approximately 7.5 million in 2011 to 8.0 million and 10.8 million in 2012 and 2013, respectively, and average MPUs increased from approximately 194,000 to 209,000 and 270,000 during the same periods.

The following table sets out an overview of our social video communities:

| Name of Community | Streaming Model | Devices Supported | Maximum Streams |
|----------------------------|------------------------|--------------------------|------------------------|
| 9158 Video Community . . . | Many-to-many | Web, PC, iOS, Android | 10 |
| Sina Show | Many-to-many | Web, PC, iOS, Android | 10 |
| Duoduo Games | Many-to-many | PC | 10 |
| Happy88.com. | Many-to-many | PC, iOS, Android | 10 |
| 99cu.com | Many-to-many | PC, iOS, Android | 10 |
| Tiao58.com | Many-to-many | PC, Android | 10 |
| Paopao8.cn | Many-to-many | PC, iOS, Android | 10 |
| Tanguo100.com | Many-to-many | PC | 10 |
| Sina Showcase. | One-to-many | Web, Android | 1 |

Many-to-many Communities

9158 Video Community

We launched 9158 Video Community in November 2008. 9158 Video Community is a community that is targeted primarily towards users between the ages of 18 and 30 living in Tier 2 to Tier 4 cities in central, eastern and southern China, a demographic group with high online entertainment and interaction needs. As a result, this community contains primarily entertainment-oriented interactive content such as singing, musical performances and online chatting. For example, users can make song requests and sing on air, and have their performances rated by our cloud rating system, compete with other users online, and interact and develop relationships with other music lovers.

Sina Show

We undertook the operations of Sina Show in July 2010 as part of our strategic cooperation with SINA Group through the Sina Pre-IPO Investment. Sina Show is targeted primarily toward users over the age of thirty, living in northern China and with relatively higher income than 9158 Video Community. As a result, this community offers a broader range of non-entertainment topics such as finance and education. For example, in 2010, we released a specially designed PC-based client called Sina Show: Finance Edition to provide finance-focused content such as investing and macroeconomics. We have also held events promoting social responsibility, such as the annual Sina Show “Sing for Life”, an online singing contest for handicapped users.

BUSINESS

During the Track Record Period and as of the Latest Practicable Date, the operation of Sina Show has been carried out by Xingxiu in cooperation with SINA Group, with reliance on the ICP License and Network Cultural Business Permit of SINA. If there is any challenge of SINA Group's licenses that are required for our operation of Sina Show (i.e., an ICP License and a Network Cultural Business Permit) (also see the section headed "Risk Factor – Risks Related to Our Business – We do not own the Sina Show Marks or Sina Show Domain Name, and rely on licensing arrangements with SINA Group for the use of these marks and domain name"), considering that Xingxiu has obtained an ICP License and a Network Cultural Business Permit, we do not believe that the continuous operation of Sina Show would be materially and adversely affected.

Duoduo Games

Duoduo Games (多多遊戲) is our social video community focused on online casual games, with the special feature of having live video chat embedded in gameplay. Games available on Duoduo Games include popular Chinese games such as Chinese chess, military chess, Mahjong, Chinese poker, Fight the Landlord and puzzle games. We are actively developing localized variations of chess and card games to better serve users in particular regions and enhance their gaming experience.

We have leveraged our technology knowhow and experience with live interactive video to introduce video chat within the games in this community. Users can play the games while interacting with their partners and opponents through live video chat for a real-time and engaging experience. Duoduo Games has two types of game rooms: points-based and virtual item-based. In points-based rooms, a player's win/loss record in each game is recorded in terms of points. In virtual item-based rooms, players consume a small number of virtual items for each round of games played, and can win or lose virtual items in the games from other players.

In addition to casual games, Duoduo Games also offers the standard real-time video rooms as all of our other social video communities. As is the case with all of our communities, users can send virtual gifts and purchase virtual items.

Other Live Social Video Communities

Additionally, we also offer five other live social video communities: *happy88.com*, *99cu.com*, *tiao58.com*, *paopao8.cn* and *tangguo100.com*. Each of these communities has its own separate user base, hosts, room managers and ecosystem.

One-to-many Community

Sina Showcase

Sina Showcase is a primarily web-based community that allows users to view programs with lower technical and bandwidth requirements for the user's device. Sina Showcase is a host-centric "one-to-many" model community with lower levels of interaction compared to 9158 Video Community and Sina Show. Its web-based nature helps the hosts gain greater public exposure by reaching a large number of casual viewers with relatively lower levels of interaction requirements. As a result of being primarily web-based with lower technical specifications, Sina Showcase currently only supports one audio and video feed per room.

BUSINESS

During the Track Record Period and as of the Latest Practicable Date, the operation of Sina Showcase has been carried out by Jinhua9158 in cooperation with SINA Group, with reliance on the ICP License and Network Cultural Business Permit of SINA. If there is any challenge of SINA Group's licenses that are required for our operation of Sina Showcase (i.e., an ICP License and a Network Cultural Business Permit) (also see the section headed "Risk Factor – Risks Related to Our Business – We do not own the Sina Show Marks or Sina Show Domain Name, and rely on licensing arrangements with SINA Group for the use of these marks and domain name"), considering that Jinhua9158 has obtained an ICP License and a Network Cultural Business Permit, we do not believe that the continuous operation of Sina Showcase would be materially and adversely affected.

Mobile and Online Games

We plan to leverage our large user base to expand our business to the mobile and online games market. We plan to operate games that are either developed by our in-house research and development team or third parties for us on an outsourced basis or licensed from third-party developers.

We currently publish one mobile game, "Three Kingdoms" (三國志:國戰版), which was officially launched in August 2013 and had total active users and paying users of approximately 238,000 and 23,000, respectively, in January 2014. We license Three Kingdoms from a third-party developer on a revenue sharing basis, with the developer retaining intellectual property rights to it. We plan to publish six to eight additional mobile games in 2014, a number of which we have developed in-house.

Historically, we have also licensed web games from third-party developers where we are responsible for payment collection and marketing. We receive cash proceeds from sales of virtual items to end users and pay a certain percentage of the remainder to the developer.

Three Kingdoms is available through third-party mobile distribution platforms such as the Apple App Store and leading Android app stores in China. Proceeds from sales of in-game purchases are split between us and the distribution platform, with the platform retaining a certain percentage of the total proceeds from the purchases as distribution fees and transferring the remaining proceeds to us on a monthly basis. The revenue-sharing arrangements we have with these platforms are in line with industry standards.

In addition, in April 2014, our PRC Operating Entities entered into agreements with Beijing Star World to distribute our mobile games, including Three Kingdoms, through 360 App Store under a cooperation model similar to those we applied to other Android app stores.

Other Products and Services

Virtual Video

Virtual Video (虛擬視頻) is a live video software that contains camera beautification, online multimedia sharing, desktop window real time broadcasts and recording functions and is compatible with many software products and chat rooms that support webcams, such as QQ, MSN Messenger, Sina's UC and our platform's multi-and single user video streams. Users may modify various parameters, such as color filters, fonts, special video effects, and face and body contouring effects to beautify their streams and videos. Virtual Video currently only allows users to sing with background music from our database of licensed songs from third parties or uploaded from the users' local computer drives.

Online-to-Offline (O2O) Entertainment

We have leveraged our video chat know-how and technological capabilities to offer an O2O entertainment service that allows real-time interaction between both real world friends and online users at physical entertainment venues on smart TVs. Our vision is to enable O2O social gatherings of friends, colleagues and families without the limitations of location and time globally, and leverage the affinity of PRC users for karaoke entertainment. We are implementing this technology through a 49% joint venture interest with a third-party operator of real world karaoke rooms. This joint venture currently operates two entertainment venues in Hangzhou. Going forward, we plan to provide this O2O service to third-party operators of entertainment venues as a cloud-based technology platform.

Voice of Sina Show

Voice of Sina Show (新浪秀好聲音) is our mobile karaoke application available for iOS and Android systems. This application allows users to practice their singing on their mobile devices and share their performances with other users. As of the Latest Practicable Date, Voice of Sina Show had over 4.9 million registered users. Voice of Sina Show includes a "cloud rating" system that can score a performance through identifying the similarities between a user's singing and the original version.

Room Genres

The real-time video rooms in our live social video communities are classified into genres based on the type of content. The primary genres include the following:

- **Music:** Hosts and users on air can perform and participate in a wide range of music-related activities such as karaoke, live concerts and singing competitions.
- **Talk Shows:** Hosts can organize, and users on air and viewers can participate in, talk shows, discussing any topic of their interest. These talk shows are conducted either in the traditional talk show format with a host, or in more informal interactive settings. Talk shows revolve around topics such as popular culture, comedy, sports, personal health and current events.

BUSINESS

- **Social networking:** Users freely search and enter our communities to meet new people and make friends. Our users can often meet users with similar backgrounds and from specific regions in China.
- **Finance:** Users interested in finance and investment can find and interact with experts and other users, including financial experts in our communities. Our communities offer a wide range of opportunities for users to interact with each other and discuss finance-related topics, including real-time stock market trends and investment basics.
- **Education:** Hosts give live lectures or personal tutoring sessions on a range of subjects, and users may seek others with similar academic and educational interests. Popular subjects include English, music and IT training.

To help our users navigate and explore our selection of real-time video rooms, we have created online catalogs grouped by genres and sub-genres for our users. Within each genre and sub-genre, rooms are then ranked in terms of popularity. These online catalogs are also searchable by keywords, which makes it easier for users looking to explore genres beyond their usually frequented rooms to find and join other rooms that touch upon different interest areas. Additionally, each room has a unique room number that users can search for.

Social Ecosystem of Our Communities

Our live social video communities are characterized by a unique and established social ecosystem with interrelated social elements and participants that creates high barriers to entry. We are able to manage many online aspects of this ecosystem, such as through leveraging our strong technological capabilities to enable the “many-to-many” streaming model, monitoring user-generated content through our robust content monitoring system, managing the infrastructure requirements of our platform to meet the variation in Internet availability and quality across China and developing methods for virtual interaction (such as innovating new types of virtual gifts and items) that effectively commercialize the live social video interaction on our platform. Additionally, we develop the technology supporting our platform, guidelines and terms of service to support a healthy ecosystem within each of our live social video communities.

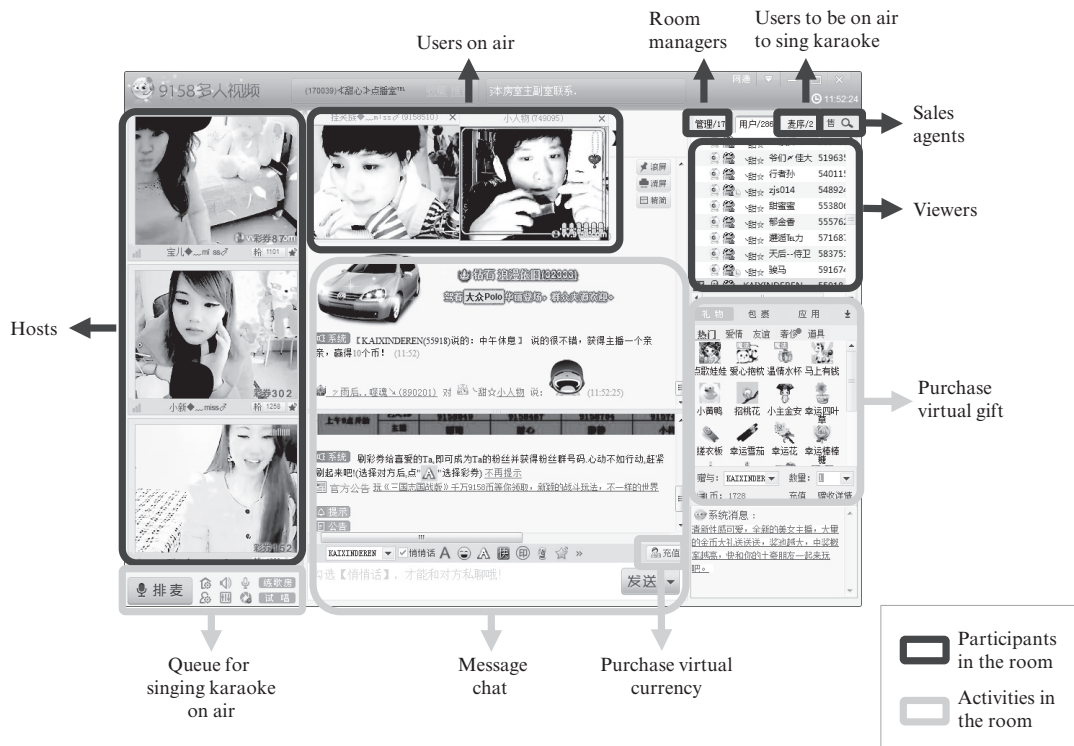
The users in our live social ecosystem come from Tier 2 through Tier 4 cities, where there is a general lack of means of offline social interaction for migrants, and Tier 1 cities, where migrants have offline social interaction options, yet still choose to use our live social video platform to interact with their friends and family from home. From March 26, 2014 to April 1, 2014, approximately 59% of our users were from Tier 3 and Tier 4 cities, 30% were from Tier 2 cities and 11% were from Tier 1 cities.

Rooms

The real-time video rooms in our communities are the core units of the social ecosystem. Through the home page of each of our communities, a user can apply for the creation of a permanent or temporary room and to become the room manager. For permanent rooms, an applicant needs a group of at least five hosts, who will be assessed by our operation team on the basis of their performance abilities. Once we approve the creation of a permanent room, we provide management accounts for the room manager and hosts to use. These accounts have special privileges for the administration and operation of the room, including the ability to remove users from the room for violations of our terms of service. The room's name is designated by the room manager and typically sets out the theme of the room. Users can also pay us a fee to open a temporary room for either public or private use and invite up to a limited number of guests.

Once the room is created, hosts and users on air can stream for their audience. All participants on our platform are required to abide by our terms of service, which strictly prohibit inappropriate content across our platform. We typically limit the maximum room size to 500 to 2,000 concurrent users to maintain a relatively high level of interaction. Once the room reaches a certain level of popularity with viewers, its room manager may be approached by the distributor responsible for the respective community for marketing and development support. For example, the distributor may designate one or more sales agents in the room in charge of marketing our virtual currency. The distributor may also pay hosts performance-based incentive fees to motivate their content generation and to attract new users.

The following diagram illustrates various participants in and aspects of a typical real-time video room on our platform:



BUSINESS

The following table summarizes key figures and aspects of the participants in our ecosystem:

| Participant | Numbers during TRP | Relationships with our Company and other participants | Responsibilities/Activities |
|---|--|--|---|
| Distributors . . . | <ul style="list-style-type: none"> • 5, 6 and 4 distributors in 2011, 2012 and 2013, respectively, and 3 distributors as of December 31, 2013 • Each community only has one distributor. | <ul style="list-style-type: none"> • All distributors are independent from our Company • Enter into annual distribution agreements with our Company | <ul style="list-style-type: none"> • Manage the sales and marketing of virtual currency • Hire, train and manage sales agents • Recruit hosts and identify profitable genres and content • Market and promote our communities and brand |
| Sales agents . . . | <ul style="list-style-type: none"> • Approximately 650, 1,050 and 1,200 sales agents as of December 31, 2011, 2012 and 2013, respectively | <ul style="list-style-type: none"> • Mostly individuals who enter into sub-distribution agreements with distributors • A large majority are independent from distributors | <ul style="list-style-type: none"> • Sales and marketing of virtual currency • Facilitate large geographical coverage of users • Providing simple customer services to users |
| Hosts | <ul style="list-style-type: none"> • Approximately 17,400, 22,400 and 34,800 hosts as of December 31, 2011, 2012 and 2013, respectively | <ul style="list-style-type: none"> • Do not enter into employment relationships with any participants • Recruited by distributors • Assessed and compensated by distributors based on performance targets | <ul style="list-style-type: none"> • Content generation and interaction with users • Attract users and promote interaction and consumption of virtual goods • Monitor room content for compliance with our terms of service |
| Room managers . . . | <ul style="list-style-type: none"> • Approximately 18,400, 22,600 and 24,500 as of December 31, 2011, 2012 and 2013, respectively | <ul style="list-style-type: none"> • Do not enter into employment relationships with any participants • Paid incentive fees by us through labor service companies | <ul style="list-style-type: none"> • Room administration and operation, such as performance scheduling • Promote interactivity within rooms • Monitor room content for compliance with our terms of service |
| Users (including users on air and viewers). | <ul style="list-style-type: none"> • Users on air: approximately 324,000, 434,000 and 542,000 as of December 31 2011, 2012 and 2013, respectively • MAUs: approximately 7.5 million, 8.0 million and 10.8 million in 2011, 2012 and 2013, respectively | <ul style="list-style-type: none"> • Do not enter into employment relationships with and are not compensated by any participants | <ul style="list-style-type: none"> • Users on air: content generation and interaction with viewers and hosts • Viewers: interactions with hosts, users on air and other viewers |

BUSINESS

Within the room, hosts, users on air and viewers typically give virtual gifts to each other, and viewers comprise the largest percentage of gift givers.

We monitor rooms for levels of user activity and periodically shut down inactive or unpopular rooms. As of December 31, 2011, 2012 and 2013, we had approximately 15,000, 19,000 and 26,000 rooms on our platform.

Distributors

We work with third-party distributors to manage the sales and marketing of our virtual currency for each of our live social video communities. Distributors manage various aspects of our ecosystem, including hiring, training, motivating and managing the sales agents who sell our virtual currency, as well as collaborating with us to recruit hosts and identify genres and room content that could be commercially profitable. Distributors play an important role in the development of their respective and assigned live social video community.

Distributors enter into distribution agreements with us, under which they can purchase virtual currency from us at a discounted price. They then distribute that virtual currency to our users through entering into sub-distribution agreements with sales agents, whom they pay on a commission basis. Distributors may also pay performance-based incentive fees to hosts on the communities that they are responsible for. See “Our Distribution Model.”

Sales agents

Sales agents are primarily responsible for selling and marketing virtual currency for our live social video platform. Sales agents also provide a number of simple customer services to our users, such as introducing them to our platform’s products and services, providing tutorials on how to use our platform and increasing the level of comfort and social interaction that users have with our rooms. Sales agents are trained by our distributors in marketing and promotional techniques and strategies to help them better capture new active users.

Sales agents enter into sub-distribution agreements with our distributors, under which they can purchase virtual currency from our distributors at face value (the price at which our virtual currency is offered to users) and sub-distribute that currency to users. Distributors pay sales agents a commission on a monthly basis, which is determined by sales targets that they achieve. A large majority of sales agents are independent from distributors. We do not enter into any employment agreements with the sales agents or control the amounts of commission that they receive, but do require all sales agents’ information, such as their PRC identification card and bank account information, to be recorded in our system. See “Our Distribution Model.”

Hosts

Hosts are primarily responsible for providing the content for our communities. A room may have multiple hosts, each of whom belongs to a “room family” and is designated by a special tag in front of their user name. Hosts are often grassroots entertainers such as singers, dancers and other individuals who can utilize our platform to showcase their skills and talents to a large viewer base and gain public exposure. Many hosts on our platform have been users on air who have developed a fan base and were identified by us or our distributors as having hosting potential or recommended by distributors based on their internal assessments and feedback from room managers. Users aspiring to become hosts can also apply directly with us. Once they have passed our assessment and approval process, and acknowledged our terms of service, we will assign them to a room that needs hosts, where they will be managed by that room’s manager.

We also utilize hosts to assist us with our content monitoring efforts by providing them with special host accounts with administrative privileges. These privileges include “squelching” users (removing their ability to chat) and forcibly removing or banning users from their room.

Certain of our more popular hosts may be paid performance-based incentive fees by the distributor responsible for the community that they are on based on the popularity of their performances and programs. Incentive fees are typically paid every seven to ten days based on their room’s average viewers per day and the number of virtual gifts exchanged in their room. As such, hosts are incentivized to produce engaging content that attracts more users and promotes spending on our platform. Certain of our hosts also act as room managers for the rooms that they occupy. In these instances, their incentive fees related to their roles as room managers are paid directly by our distributors.

We do not enter into any agreements with hosts and hosts are not our employees.

Room managers

Room managers are responsible for the room’s administration and operations and developing and arranging for hosts and users on air to perform in the room. For example, room managers arrange the schedule of host performances in their rooms. Additionally, room managers are also responsible for promoting the interactivity within their rooms. We work closely with room managers by considering and implementing certain of their suggestions and feedback and providing them with the tools they require to manage their rooms. We utilize room managers to assist us with our content monitoring efforts by providing them with special room manager accounts with administrative privileges. These privileges include “squelching” users (removing their ability to chat), forcibly removing or banning users from their room and blacklisting user IPs from our platform.

BUSINESS

Room managers do not enter into employment agreements with any other parties in our social ecosystem. We pay certain room managers (typically managers of popular rooms who do not also serve as hosts) performance-based incentive fees based on the popularity and revenue generation of the room, which are typically assessed based on the number of users in the room during peak hours and number of virtual gifts sent in the room. These incentive fees also serve to encourage these room managers to monitor the appropriateness of content in their rooms and ensure that their rooms can continue in operation. In 2013, we had approximately 800 non-host room managers, or 3% of our total room managers, who received incentive fees from us.

We do not enter into any type of labor employment relationship with room managers. As such, other than requiring room managers to abide by our terms of service, we do not retain any significant control over the activities of our room managers. Our relationship with the non-host room managers who receive incentive fees from us is characterized as an exchange of services for compensation. For convenience and ease of administration, we pay out incentive fees to our non-host room managers through third-party labor service companies.

Users on air

Users on air are non-host users who request and queue to appear on our video streams. They are frequent users who desire exposure to the viewing public, typically through singing karaoke or participating in talk shows or discussions in our rooms. Users on air are not paid by any participants in our ecosystem and are completely independent from us and our distributors. Room managers may recruit skilled users on air to become hosts.

Viewers

Viewers are the largest group of participants of our platform's social ecosystem, who watch the content produced by hosts and users on air and interact with them in various ways. Viewers within a room typically share common interests, speak similar dialects and live or used to live in similar geographies, and are seeking friendship and social interaction. Although many viewers choose to interact through sending virtual gifts, they are not obligated to do so, and can watch all of our content free of charge.

Our Distribution Model

Live social video platform

We derive a substantial majority of our revenue from the sales of virtual goods on our live social video platform, which are purchased using our virtual currency. Each of our communities has its own virtual currency, which cannot be used on other communities. We sell virtual currency through (i) third-party distributors and sales agents and (ii) direct sales to users on our websites and community software.

Due to China's large geographic area, the relative lack of understanding of live social communities and trust in online payment systems in the smaller Tier 2 to Tier 4 cities in China where we operate, and our high number of communities, we use distributors and sales agents to help us manage and develop our ecosystem.

Distributors

We primarily cooperate with independent third-party distributors to sell and promote our virtual currency, in line with Internet industry practice. Through this distribution model, distributors are responsible for day-to-day management of sales agents and certain promotion functions of our platform to increase the operation efficiency of our live social video platform. We believe that the interests of our distributors are aligned with ours, as they have an interest in the development and success of the live social video community or communities that they are responsible for. We had five, six and four distributors in 2011, 2012 and 2013, respectively and as of December 31, 2013 cooperated with three distributors who cover our nine communities, with each community only having one distributor.

Our distributors are PRC-based Internet distributors. We carefully and thoughtfully select our distributors based on their scale, experience and performance. We do not believe we are exposed to significant concentration risk with respect to our distributors, as distributors are not our ultimate end users, we have changed distributors in the past without experiencing any material adverse effects on our operations. We have terminated relationships with certain of our distributors in the past due to their inability to meet our performance requirements and sales targets. Additionally, in 2013, the management team of one of our distributors departed that distributor to form another distribution company, which led us to use their new company for our distribution needs. We believe we have strong bargaining power in negotiating business terms with our distributors, as these distributors are typically reliant on sales of our virtual currency for a large majority of their revenues and often do business with us on an exclusive basis.

We enter into annual distribution agreements with our distributors. The terms of business of these agreements state:

- each of our distributors is responsible for the sales and promotion of our virtual currency for one or more of our communities and can purchase our virtual currency directly from us on a set discounted basis;
- guidelines that our distributors must abide by, including with respect to content and the process for dealing with customer complaints;
- non-competition and confidentiality provisions typical for the Internet services industry;
- distributors do not act as our agents;
- we may assess penalties for certain violations of the terms of these agreements; and
- we can terminate these agreements upon the occurrence of certain events, such as violations of non-competition or confidentiality terms or failing to meet minimum sales targets.

BUSINESS

When a sales agent purchases virtual currency, he or she transfers payment through third-party payment platforms, such as IPS, to the distributor's account, which is configured to automatically distribute payment to our account in accordance with the terms of our distribution agreement. As such, we have minimal collection and credit risk with respect to our distributors, as payment to us is made almost instantaneously upon sales of virtual currency from distributors to a sales agents. This serves as another advantage of our distribution model, as it reduces our cash management risk and related issues.

Our distributors do not sell our virtual currency directly to users, and instead employ sales agents who directly sell our virtual currency to our users in our real-time video rooms. Our distributors directly enter into sub-distribution agreements, the form of which are provided in their distribution agreements with us, with sales agents and provide relevant information on the sales agents with us for record. Under the terms of these sub-distribution agreements, the sales agent can purchase virtual currency from the distributor and must sell our virtual currency at prices set by the distributor. Our distributors require their sales agents to make deposits with them. Under the terms of our distribution agreements with our distributors, these distributors are responsible for supervising their sales agents' distribution, promotion and marketing activities, and assume joint and several liability for such activities. We do not have employment relationships with sales agents.

Distributors are also responsible for promoting and marketing the rooms in our communities. These responsibilities include recruiting popular users on air to become our hosts and marketing and promoting our existing hosts on their assigned community. We require our distributors to conduct promotion and marketing activities, and require that they incur minimum promotion and marketing expenses equal to a percentage of the pre-discount value of their total purchases of virtual currency from us.

In 2011, 2012 and 2013, our top distributor accounted for 36.5%, 33.4% and 28.6% of our total cash proceeds received from sales of our virtual currency, respectively. In 2013, our only four distributors accounted for 68.4% of our total cash proceeds received from sales of our virtual currency, and in 2011 and 2012, our top five distributors accounted for 66.5% and 69.1% of our total cash proceeds received from sales of our virtual currency, respectively.

As of the Latest Practicable Date, none of the Directors, their associates or any shareholders of the Company (who owned or to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our distributors.

BUSINESS

Sales agents

Sales agents are primarily responsible for selling and marketing our virtual currency in their assigned rooms. These selling and marketing activities may include interacting with the room's viewers, establishing relationships with potential customers and coordinating with room managers and hosts to hold promotional events. Sales agents may also provide tutorials to new customers, certain simple customer services and technical support to users. Our users often prefer to purchase virtual currency from sales agents rather than directly through our software clients or the websites that we operate due to the convenience that sales agents bring and the services provided by the sales agents. As of December 31, 2013, there were approximately 1,200 sales agents who entered into sub-distribution agreements with our distributors. A large majority of these sales agents were independent individuals from our distributors, and each sales agent can only contract with one of our distributors. We do not have employment relationships with sales agents.

Sales agents typically keep a stock of virtual currency, which they purchase from the relevant distributor a price equal to the face value of the virtual currency, i.e., the price offered to users. When a sales agent purchases virtual currency, he or she transfers payment through third-party payment platforms such as IPS to the distributor's account, which is configured to automatically distribute payment to our account in accordance with terms of our distribution agreement. After payment is made, our system will automatically send codes representing the virtual currency purchased to the sales agent. These codes are for various denominations of the virtual currency, and the sales agent can use these codes to charge the accounts of users that they make sales to.

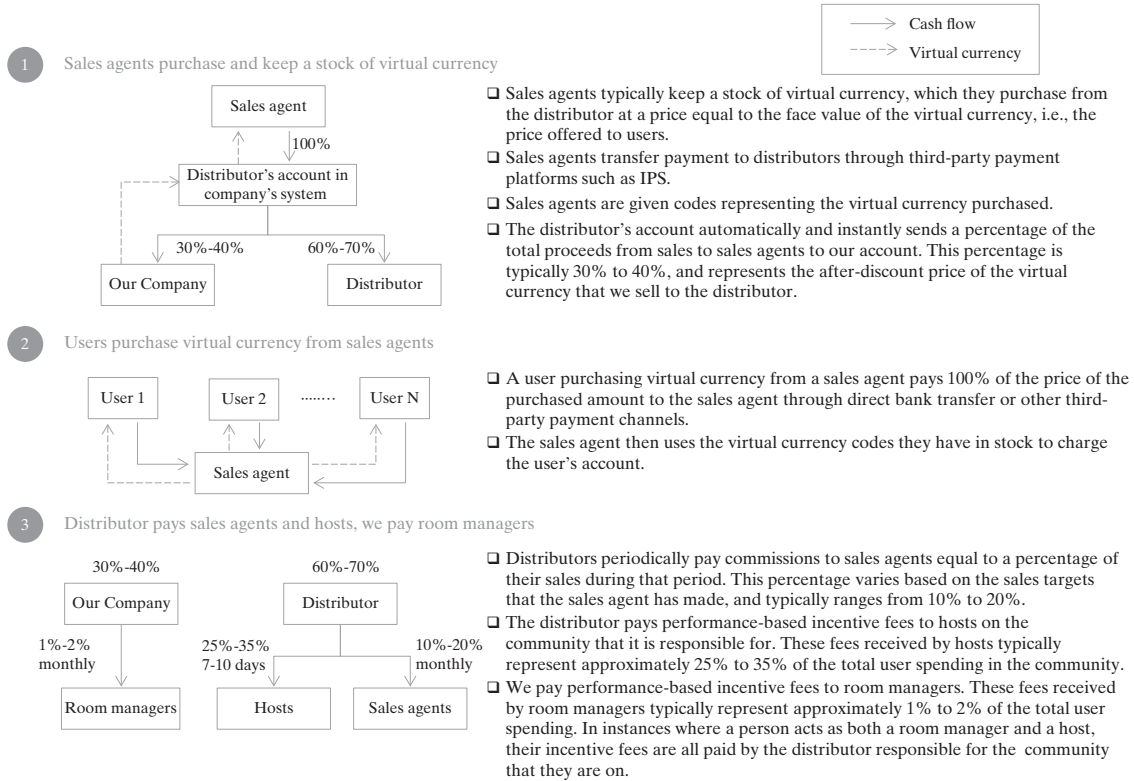
Under the terms of the sub-distribution agreements between sales agents and distributors, distributors are required to periodically pay commissions to sales agents equal to a percentage of the sales agents' sales during that period. This percentage may vary based on the performance of the sales agent, and is determined based on agreement between relevant sales agents and distributors. Typically, this percentage ranges from 10% to 20% of total sales made by the sales agent. Distributors and sales agents typically settle commission payments once every seven to ten days.

When a user purchases virtual currency from a sales agent, he or she pays money to the sales agent through direct bank transfer or other third-party payment channels. The sales agent will then charge the purchased virtual currency into the user's account.

In addition, our users can also choose to directly purchase virtual currency for each of our communities online. We and our sales agents typically charge the same sales price for our virtual currency to users. However, sales agents may choose to give their users an effective discount in the form of bonus virtual currency with a purchase.

BUSINESS

The following diagram illustrates the flow of cash and typical economics under the third-party distribution model within our ecosystem. Actual percentages earned by each party may vary depending on the success and revenue generated by each room.



The above diagrams do not apply to users purchasing virtual currency directly from us online through third-party payment platforms. For direct purchases, all user spending is retained by us, net of payment platform processing fees. For the years ended December 31, 2011, 2012 and 2013, approximately 15%, 16% and 14%, respectively, of our sales of virtual currency were made directly from us to users. Taking into account both sales through third-party distributors and direct sales to users through third-party payment platforms, we retain approximately 40% to 50% of total user spending.

Mobile and online games

Purchases of virtual items for our mobile game are made through in-app purchases. These in-app purchases are made through the Apple App Store or Android mobile app stores, depending on the operating system of the game version. These app stores retain a percentage of the proceeds from these purchases as distribution fees and pay us the remaining portion.

Payment

For direct purchases of our virtual currency, we offer users payment options through third-party payment platforms such as China UnionPay, Internet banking, IPS and Alipay. These payment platforms charge us a certain percentage of the cash proceeds as payment handling fees in accordance with the terms of payment agreements that we enter into with them and in line with industry practice. Payments made by users in direct sales are collected by these platforms and sent to us, net of commission charges.

BUSINESS

Payments made by sales agents for purchases of our virtual currency pursuant to the terms of our distribution agreements are also made through these third-party payment platforms, who retain a portion of the payments as commission and send the remainder to the distributor's account. This account then automatically sends us payment based on the terms of our distribution agreements.

Accessibility

We enable users to easily access our products and services. We have developed technical specifications that are suitable for most Internet users in China due to our advanced audio and video streaming technology and low bandwidth requirements as a result of our proprietary technology. Our software is free to download on the websites that we operate and other Internet software download centers. Users can also access our two primary communities directly on the web.

An important element of our strategy is to continue to develop mobile applications to capture a greater share of the growing number of users that access live social video platforms through mobile devices. We have already developed our mobile apps contain the basic functions and services offered on our regular PC or web clients. As these mobile apps become more popular, a key part of our research and development strategy is to develop new mobile-specific features and interfaces to cater to the needs of our mobile user base, including features that will allow hosts and users on air to stream from mobile devices. 9158 Video Community, Sina Show and four of our six smaller communities are accessible via mobile applications.

Monetization

We generate revenues from our live social video platform, games and other services, such as advertising.

The following table sets forth our revenue breakdown by business segment for the years indicated:

| | For the Year Ended December 31, | | | | | |
|--------------------------------------|---------------------------------|--------------|----------------|--------------|----------------|--------------|
| | 2011 | | 2012 | | 2013 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Live social video platform | 370,488 | 96.4 | 437,125 | 95.9 | 528,430 | 96.4 |
| Mobile and online games | 2,775 | 0.7 | 2,396 | 0.5 | 2,727 | 0.5 |
| Others | 11,179 | 2.9 | 16,247 | 3.6 | 17,083 | 3.1 |
| Total | 384,442 | 100.0 | 455,768 | 100.0 | 548,240 | 100.0 |

Live social video platform

All of our communities are free to download and access. Users are able to purchase virtual gifts on our platform using our virtual currency and send them to hosts or other users as a gesture of friendship or support. However, virtual currency may not be transferred between users. Additionally, users can purchase virtual items that grant them special privileges and abilities, such as sending a message to all logged in users in the community, creating an engaging visual and interactive experience.

When a user receives a virtual gift, that virtual gift is displayed in his or her profile permanently and can be shown off to other users, but may not be resent. Additionally, the recipient will automatically receive from us an amount of virtual currency equal to a percentage of the cost of the virtual gift. This percentage may vary from 0% to 80%, depending on the cost and rarity of the gift received. We have this system in place to promote the interactivity on our platform and facilitating more sending of gifts.

We do not provide a function on our platform for exchanging virtual currency between users, and we prohibit the exchange of virtual currency for physical currency on our platform. However, certain users may choose to sell their virtual currency through sending gifts to a purchaser in exchange for payment from the purchaser through third-party payment platforms outside of our platform. This method incurs significant costs for the parties to the transaction, as the purchaser only receives 0% to 80% of the virtual currency being “transferred”, as described above. However, as these transactions are done strictly through third-party channels and are not endorsed by us, purchasers do not have any guarantees or assurance with respect to these transactions, and as such we believe the occurrence of these transactions are minimal. As such, we do not believe that sales of virtual currency through sending gifts expose us to illicit activities, such as money laundering, on our platform, as the seller would incur significant costs through gifting and the lack of a large and liquid market for our virtual currency outside of our platform.

Virtual gifts are purchased using our virtual currency, which users can purchase through sales agents engaged by our distributors or directly from us online. The price of our virtual currency does not change. Virtual currency does not expire. For the years ended December 31, 2011, 2012 and 2013, approximately 85%, 84% and 86%, respectively, of our sales of virtual currency were made through third-party distributors and sales agents, and approximately 15%, 16% and 14%, respectively, of our sales of virtual currency were made directly from us to users.

A wide variety of virtual gifts are available to our users, ranging from a simple red rose or lollipop to private planes, yachts and even marriage proposals. The prices of our virtual goods range from RMB0.01 to RMB100,000. We offer a diverse selection of lower-priced virtual goods to attract users to try out our paid services and convert our active users to paying users, and higher-priced virtual goods to encourage spending from our loyal users and increase our ARPU. We also frequently release new virtual goods related to current events and pop culture trends to increase sales.

BUSINESS

We also provide enhanced membership privileges to users purchase VIP bundles. VIP bundles are purchasable packages with preset amounts of virtual currency which also provides the user with a special membership tier for a set period of time. Packages can cost between RMB100 to RMB40,000, depending on the membership tier and the duration of the membership. VIP privileges can include the ability to enter full-capacity rooms, appearing at the top of the room's list of users and special titles indicating prestige.

The following table sets out the ranges of revenues generated from annual paying users (defined as users who have paid for products or services on our platform at least twice in a given year) on our platform during the Track Record Period:

| Revenues generated from users | Percentage of total annual paying users | | | Average revenues generated per annual paying user (RMB) | | |
|---|---|---------------|---------------|---|--------------|--------------|
| | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 |
| Less than RMB1,200 . . . | 90.8% | 89.3% | 88.5% | 119 | 127 | 178 |
| Between RMB1,200 and RMB6,000 | 6.4% | 7.8% | 8.4% | 2,668 | 2,685 | 2,771 |
| Greater than RMB6,000. | 2.8% | 2.9% | 3.1% | 25,955 | 26,276 | 26,199 |
| Total | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>1,013</u> | <u>1,092</u> | <u>1,203</u> |

Mobile and online games

We currently commercially operate one mobile game, “Three Kingdoms” (三國志：國戰版). We expect to publish an additional six to eight mobile games in 2014, including several that we developed in-house. We will leverage our knowhow and expertise to incorporate interactive video functions in these games.

We generate revenue from Three Kingdoms, and expect to generate revenue from future mobile and online games through sales of virtual items. Purchases of virtual items for Three Kingdoms are made via in-app purchases through the Apple App Store or Android mobile app stores, depending on the operating system of the mobile game. These app stores collect payment from sales of the in-app purchases, retain a percentage of the cash proceeds from these purchases as distribution fees and pay us the remaining portion.

Historically, we have also jointly operated web games licensed from third-party developers. We receive cash proceeds from sales of virtual items from these web games to users and pay a certain percentage of the remainder to the developer.

Others

We generate advertising revenue primarily through cooperating with SINA Group, which places advertisements for its clients within our Sina-related products, such as Sina Show and Sina Showcase. We also generate advertising revenue through advertising agencies representing advertisers and, to a lesser extent, from advertisers directly.

Content Monitoring System

Our live social video platform contains real-time, user-generated content, which we monitor to maintain a healthy ecosystem, as well as comply with PRC laws and regulations. We continuously use our best efforts to develop a comprehensive monitoring system to regulate such content, including the following components for compliance with relevant laws (also see the section headed “Regulatory Overview – Regulations on Internet Content Services and Censorship”) and in order to regulate the content generated by users of their live social video platform:

- *Terms of service.* All participants on our platform, including hosts, room managers, sales agents, users on air and viewers, are required to abide by our terms of service, which strictly prohibit inappropriate content across our platform. Our internal policies subdivide the prohibited content and actions into three categories: vulgar content, proscribed performance and other violations. We further list prohibited content and actions within each category in detail, such as provocative language, full or partial nudity, inappropriately suggestive language and body movements, abusive language or actions towards other users in the room, and information facilitating illegal transactions or activities.
- *Automatic detection system.* During live streaming, a snapshot is taken for each video stream every one to three minutes, based on the room genre and topic. We then conduct automatic screenshot examinations utilizing our advanced and proprietary screening software-based technology, which is able to automatically distinguish indecent or inappropriate content. For additional details on this screening technology, please see “Our Technology – Content monitoring”. Screened content will be sent to our monitoring center and for further scrutiny by the staff on duty. We also have an automatic system in place for detection of sensitive and/or inappropriate words and phrases.
- *Content monitoring staff.* We have a dedicated team of 74 employees serving on our content monitoring staff, who are in charge of accurately and promptly detecting violations of our terms of service and enforcing our internal policies to ensure the compliance of the content appearing on our platform with applicable laws and regulations. These employees are trained in identifying potential violations of our terms of service and assessing the necessary actions to be taken in response to these violations. Their responsibilities include further reviewing the potential violations of our terms of service identified (taking additional screenshots of stream recordings if necessary), categorizing the screenshot and taking actions in accordance with our internal policies. Additionally, we also arrange for our content monitoring staff to randomly check our rooms 24 hours a day, seven days a week for violations, adding another layer of manual monitoring. Our staff is required to take immediate action upon identifying any potential violation.

BUSINESS

- *Self regulation by room participants.* In addition, hosts and room managers are also responsible for monitoring the content in their rooms and ensuring that their rooms' content comply with our terms of service. We provide hosts and room managers with administrative accounts, which give them special privileges such as "squelching" users (removing their ability to chat) and forcibly removing or banning users from the room. Hosts and room managers are incentivized to ensure the compliance of their room with our terms of service, as rooms that have repeated violations may be closed temporarily or permanently. In addition, the users have the ability to report any incompliance of our terms of service via the "report" button located at the front page of each community.
- *Actions taken.* We deal with violations of varying severity in accordance with our strict policies and applicable regulations. Our actions may include warnings, cutting off the stream feed or temporary suspension of the stream and/or account for minor violations, with follow-up review to ensure effective enforcement and rectification. For serious violations, such as pornographic performances, the relevant account is deleted permanently and all virtual currency and items are forfeited, and the room may be permanently closed. Additionally, serious violations such as drug use are reported to the local public security bureau immediately in accordance with the monitoring and reporting schemes, which we developed in close cooperation. We summarize all violations of our terms of service and report them to the local authority in charge of monitoring Internet content on a weekly basis. We retain records of violations of our terms of service for at least two years, and repeat violations are penalized in accordance with our terms of service, including permanent account deletion and room closures.
- *Constant improvement of content monitoring measures.* We review and update our internal policies and terms of service on a regular basis, and maintain active and regular dialogue with the appropriate legal authorities. We have expanded the size of our content monitoring team (from approximately 47 as of December 31, 2011 to 74 as of December 31, 2013) in line with our growing business and popularity to ensure that we are in the best position to identify violations of applicable laws and regulations on our platform. We also provide constant training to our employees to update them on the best ways to identify potential violations, including those that users intentionally hide or disguise as well as incentivize them to identify potential violations. We will continue to review and enhance the effectiveness of our overall content monitoring system in line with changes in user trends and regulatory environment, such as increasing the size of our content monitoring team and the frequency that screenshots are taken. Our legal and compliance team will also continue to monitor relevant laws and regulations to ensure that our platform and content monitoring system are in compliance.

We have been advised by our PRC Legal Advisor that the measures and methods that our PRC Operating Entities have taken in accordance with our content monitoring system to carry out real-time monitoring of the products and services that they provide do not violate relevant PRC laws.

BUSINESS

Further, pursuant to the Law of the People's Republic of China on Administrative Penalty (中華人民共和國行政處罰法), administrative penalties without statutory basis should be invalid, and the current PRC laws and regulations do not prescribe any penalty on or hold information services providers liable for third party illegal activities should the information services providers themselves do not violate PRC laws and regulations during such activities. As such, we have been further advised by our PRC Legal Advisor that, provided that the PRC Operating Entities have carried out content monitoring in accordance with the aforementioned content monitoring system, in the event of any illegal behavior of or any illegal content provided by any user or participant, if the PRC Operating Entities and their employees have not participated in such illegal behaviors, and do not have any intention of or gross negligence in the occurrence of such illegal behavior, the PRC Operating Entities should not be liable for violation with PRC content monitoring-related laws and regulations simply due to such third party illegal behavior.

Due to the immense quantity of user-generated content on our platform, it is impossible for us to detect all incidents of inappropriate content appearing on our platform, despite our best efforts in developing and improving our comprehensive content monitoring system. For example, although our system takes a snapshot for each video stream every one minute to three minutes to detect indecent or inappropriate content, such content may appear in between screenshots and therefore would not be captured by our system. Also, although our content monitoring staff performs random room checks for violations of our terms of service, it is impossible for them to find all such violations that occur. Additionally, certain types of inappropriate content, such as drug use and politically sensitive content, may not be detected by our proprietary software, our monitoring staff, or even our room managers as the content may have been disguised and not easily distinguishable. For example, in August 2011, there were incidents of users using drugs through a soda can and a straw and streaming such drug use through our platform. As this was a method of drug use that the our content monitoring team had not encountered before, these violations of our terms of service were undetected and the video stream continued for some time. These incidents was subsequently investigated by the Jinhua City Municipal Public Security Bureau, and we actively cooperated and assisted with the investigation. The Jinhua City Municipal Public Security Bureau subsequently issued a confirmation to us dated February 24, 2014 that we did not violate any laws of regulations, and noted that we fully cooperated and provided valuable assistance with its investigation with respect to these incidents of drug use appearing on our platform. Since these incidents, we have strengthened our content monitoring procedures to detect drug use on our platform, such as developing audio feed and text detection software and providing training to our content monitoring staff on how to better and more accurately identify different types and methods of drug use. Additionally, we provide the Jinhua City Municipal Public Security Bureau with privileged user accounts identical to the ones used by our content monitoring staff, which provide full and 24/7 access to all of our live social video communities with the exception of Duoduo Games (which the Public Security Bureau indicated was not necessary), which allow the Public Security Bureau to monitor and supervise the activities in our real-time video rooms.

BUSINESS

The following table sets out a breakdown of potential violations of our terms of service on our platform that we took action against and reported to the relevant authorities:

| Type of violation | For the Year Ended December 31, | | | For the Five Months Ended May 31, 2014 |
|--------------------------|--|--------------|--------------|---|
| | 2011 | 2012 | 2013 | |
| Obscenity | 9,259 | 4,664 | 4,874 | 2,341 |
| Vulgarity | 5,053 | 2,964 | 2,409 | 1,176 |
| Drug use | 185 | 165 | 312 | 121 |
| Other | 470 | 257 | 351 | 181 |
| Total | 14,967 | 8,050 | 7,946 | 3,819 |

During the Track Record Period and up to the Latest Practicable Date, we did not receive any warnings from, nor were any fines imposed on us by, government authorities for having inappropriate or illegal content on our platform.

Furthermore, pursuant to the confirmations from the local counterparts of the MOC and the GAPP in Zhejiang Province, as well as the local counterparts of the Ministry of Public Security in Hangzhou City and Jinhua City respectively regarding the “Anti-Pornography and Illegal Publications – Clean the Web 2014” campaign (also see the section headed “Risk Factor – Risks related to Our Business – Our business and operations may be materially and adversely affected by the PRC Government’s “Clean the Web 2014” campaign and other Internet regulatory efforts”), the relevant authorities are neither aware of any report or complaint against any of the PRC Operating Entities that they have been engaged in any illegal criminal activity, nor have instituted any proceeding or imposed any penalty on the PRC Operating Entities. Notwithstanding the facts that the GAPP and the MOC also undertake the functions of supervising and monitoring nation-wide Internet cultural business activities and Internet publications respectively and have jurisdiction over the PRC Operating Entities, and that public security authorities outside Zhejiang Province may also have jurisdiction to initiate cases against the PRC Operating Entities due to the wide spreading of our users, the Company understands that the government authorities at Zhejiang provincial level should be the appropriate authorities to issue the confirmation letters or to be interviewed regarding the Campaign. As (i) the PRC Operating Entities are all registered in Hangzhou City and Jinhua City respectively, both of which are within Zhejiang Province; (ii) the PRC Operating Entities carry out their business in Zhejiang Province; and (iii) servers of the live social video communities operated by the PRC Operating Entities are all located in Jinhua City, pursuant to relevant PRC laws regarding allocation of the government authorities’ jurisdiction, the provincial counterparts of the GAPP and the MOC should be the major authorities responsible for handling and penalizing violations within their administrative region, and have jurisdiction over the PRC Operating Entities; and the local counterparts of the Ministry of Public Security in Hangzhou City and Jinhua City should have jurisdiction over the PRC Operating Entities, and would also be aware if any summon, arrest or custody action taken against the PRC Operating Entities by public security organs of other places. In addition, as to the written confirmation letters already issued by the relevant authorities regarding the Campaign, the PRC Legal Advisor is of the opinion that it is unlikely that the statements made in the aforesaid written confirmation letters will be challenged by other authorities.

Strategic Cooperation with Sina

Under the Series C Pre-IPO share subscription agreement, SINA Group agreed to engage in cooperation in certain areas with us. Such cooperation arrangement sets out high-level principles of the parties' cooperation, including the licensing of Sina Show trademarks and domain name, marketing and advertising. In connection with the cooperation arrangement, we and SINA Group have entered into ancillary agreements to set out the details of our cooperation, such as the Sina Show IP Agreements. Pursuant to the Sina Show IP Agreements, we were granted an exclusive right to operate the Sina Show community, in cooperation with SINA Group, and are entitled to all the revenues generated from the operation. In addition, in March 2014, we extended our Sina Show IP Agreements with SINA Group, pursuant to which SINA Group granted us a sole license to use at no cost, in connection with the operation of the relevant Sina platforms, the Sina Show Logos, as well as a non-exclusive right to use the Sina Show Trademarks. This license is valid until 2020. The cooperation arrangement does not contain any cross default provision with the SINA Show IP Agreements.

As part of our joint marketing efforts, SINA Group promotes Sina Show on its portals and platforms, such as Sina's portal page and Weibo, Sina's popular microblog. Through our cooperation with SINA Group, we are able to leverage the Sina brand and resources and gain access to its wide user base. SINA Group also helps us sell advertising banners on certain of our communities to a wide range of customers, including Sina's own customers, as well as provides us with technical and operational support.

The cooperation arrangement is mutually beneficial to us and SINA Group as SINA Group is entitled to sharing the proceeds generated from certain services under the cooperation arrangement, such as advertising, wireless payment and messaging services. Both parties intend to renew the Sina Show IP Agreements upon the expiration of their term, as demonstrated by an option to renew the term provided in the agreements.

In the event that the cooperation arrangement and/or the Sina Show IP Agreements are not renewed upon expiration of contracts, our Directors are of the view that the our Group is well-prepared to handle any potential impact of such non-renewal due to: (i) our users develop stickiness to our live social video communities because of our "many-to-many" video streaming model, broad range of video content, high user interaction level and quality of hosts, and not the name of the site "Sina Show" or the logos that appear on such communities; (ii) as Sina Show is a client-app-based community, existing users need not revisit the Sina Show Domain Name once they have downloaded the application and the impact of any change to the domain name used to such users will be minimal; (iii) we own and/or manage the most important resources of Sina Show and Sina Showcase including user data, technology, technical know-how, employees and the social ecosystem; and (iv) we have and will continue to invest in promotion and advertising activities through other marketing channels besides SINA Group. We are also committed to improving our existing products while diversifying our product genres such as mobile games and O2O karaoke applications.

BUSINESS

Customer Service

As of the Latest Practicable Date, we had a dedicated customer service team with 78 service representatives. Our customer service hotline is available on a 24/7 basis.

Our users may submit inquiries, feedback or complaints by sending messages via telephone, online chat and emails at any time. Upon receipt of complaints or inquiries from our users, our customer service team will conduct testing and respond promptly. Our customer service representatives will provide our users with detailed explanation and instruction to solve problems that relate to functions and features of our services. Complaints are required to be resolved within one to three business days. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints from our users that resulted in any material adverse impact on our business.

We believe that outstanding customer service plays a significant role in retaining users and differentiating us from our competitors. We have dedicated customer service representatives to cater to the needs of our high-consumption VIP customers. Our customer service team also collects valuable first-hand customer experience and feedback through interaction with our users, product reviews and online discussion forums. We use this information to better understand customer preferences and further enhance our services and products. Our customer service representatives assist our customers in dealing with their technical difficulties and in the payment process. We keep records of system bugs and customer feedback for our technology department to enhance our products and services.

Sales and Marketing

We implement various marketing and promotional measures to promote our communities and brands. We promote our platform through online advertisements and keyword searches on major Internet portals in China, such as Baidu.com and 360.cn, and our cooperation with SINA Group. We also design different marketing activities to enhance our brand recognition and increase user stickiness. For example, we held our annual Sina Show karaoke competition in 2013, with participation from 230 rooms and approximately 70,000 peak concurrent users.

Our room managers and sales agents conduct sales and marketing activities on a daily basis. Our room managers and sales agents encourage users to make purchases of virtual currency and virtual goods, primarily through real-time communication on our platform. We publish rankings of users who are most active in the rooms. We also hold promotional activities, such as giveaways of free virtual goods or virtual currency to attract more users and encourage them to participate in the room's activities.

Suppliers

We primarily rely on third-party suppliers for servers, bandwidth and advertising services.

BUSINESS

Server hosting and bandwidth leasing

We select our server hosting and bandwidth vendors based on the quality of services, prices and our business needs. We typically enter into server hosting or bandwidth leasing agreements with our vendors for a term of one year and automatically renewable upon expiration unless one party notifies the other party otherwise in writing prior to expiration. Under our server hosting or bandwidth leasing agreements:

- Vendors provide server hosting or bandwidth services and provide us with technical reports;
- We generally pay fixed service fees to these vendors on a monthly basis;
- Vendors are responsible for maintaining equipment that we provide;
- We are entitled to use IP addresses distributed by the vendors, subject to the relevant PRC laws and regulations concerning Internet security; and
- We are typically entitled to terminate the agreements if the vendors fail to meet certain service standards.

Advertising agencies

We engage third-party advertising agencies to purchase advertisements and Internet search keyword services on major Internet portals in China. We typically enter into advertising service agreements with our agencies for a term of one year and automatically renewable upon expiration unless one party notifies the other party otherwise in writing prior to expiration.

Game developers

We outsource the development of certain mobile and online games to third-party game developers. We retain intellectual property rights to the games developed under these arrangements. We also license mobile and online games from third-party developers to publish on a revenue sharing basis. Developers retain the intellectual property rights to the games that they license to us.

Payment and distribution platforms

See “Payment” and “Monetization – Mobile and online games”.

Charges from our largest supplier for each of the years ended December 31, 2011, 2012 and 2013 accounted for 12.4%, 13.4% and 5.0%, respectively, of our cost of revenues and expenses attributable to suppliers during those periods. Charges from our five largest suppliers for each of the years ended December 31, 2011, 2012 and 2013 accounted for 42.7%, 40.2% and 22.0%, respectively, of our cost of revenues and expenses attributable to suppliers during those periods. Our top five largest suppliers for each of 2011, 2012 and 2013 were advertising agencies, server hosting and bandwidth vendors and game developers.

We do not believe we are subject to any material risks related to changes in our supplier costs. As of the Latest Practicable Date, none of the Directors, their associates or any shareholders of the Company (who owned or to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

Our Technology

Our advanced technology infrastructure and capabilities allow us to efficiently and effectively address the technical challenges associated with providing our services with a high level of user experience. Our platform incorporates the following features:

Content monitoring

Our live social video communities all contain user-generated content, which we actively monitor to maintain a healthy ecosystem and to comply with PRC laws and regulations. We have developed a proprietary monitoring system that takes screenshots of all of our video chat rooms randomly every one to three minutes, based on the room genre and topic. Using our "smart" image detection technology, we are able to identify inappropriate images which are then sent to our content monitoring department for further handling. This patented automated filtering system for multiple features of inappropriate visual content was developed in 2010, and is designed to, through identifiable features of the human body, such as facial features and skin tones, accurately detect inappropriate visual content (such as full nudity or sexually suggestive partial nudity of the chest, shoulders, lower body or other areas). For example, our filtering system uses technology which can detect distinctive facial features (such as the eyes, nose and mouth) and calculates the percentage of the screenshot area that is occupied by the face. A screenshot with a sufficiently large percentage of its area occupied by the face can be presumed to be "clean", as it would be physically difficult or impossible for inappropriate body parts to appear simultaneously. A screenshot with a low percentage of its area occupied by the face will go through further automatic assessment using skin tone detection technology, which is able to identify areas of skin being displayed through a database of common body features and whether such skin is from inappropriate parts of the body such as the chest and lower body. Our filtering system is able to detect all features visible to the human eye, such as in poor lighting conditions, as well as skin tones typically associated with our user base. Supported by a cascading structure, whereby more potentially suspicious content is put through a greater number of identifying tests, this system is able to achieve a high rate of accuracy and reduce false positives to a minimum.

For example, in an independent testing conducted in August 2011 by the Zhejiang Provincial Testing Institute of Electronic Information Products, a testing organization accredited by the China National Accreditation Committee for Laboratories, our automatic filtering system for inappropriate content was able to achieve a positive identification rate of over 88% and a false positive identification rate of less than 14%, which we believe to be ahead of standards in our industry. Additionally, this system was assessed by the Zhejiang Wulin New Products and Technologies Appraisal Center, a civil non-enterprise entity approved by the

Zhejiang Province Science and Technology Department, which concluded that our system was a successful filtering platform for inappropriate image and video Internet content. Furthermore, the Network Police Division of Jinhua Municipal Bureau of Public Security has provided us with a certification in March 2014 that our content monitoring system and automated filtering technology can effectively carry out real-time monitoring on and correspondingly deal with website content and information which is alleged to violate relevant laws and regulations such as the Provisions of People's Republic of China Concerning the Security Protection of Computer Information System, the Measures for Security Protection Administration of the International Networking of Computer Information Networks promulgated by the Ministry of Public Security.

Our research and development team is constantly striving to improve the accuracy and strength of this screenshot filtering system. We have also worked to improve the tools available to our content monitoring department to assist in their work, such as faster screenshot refresh rates and system startup times. We have also developed patented technology to automatically detect inappropriate content through audio feeds, and are working to implement this technology into our content monitoring system. We also utilize a program designed to periodically sweep the text content available on our platform for sensitive or inappropriate keywords or language. Content that contains certain keywords are also automatically filtered and cannot be successfully posted or entered on our platform. We believe that these detection systems for audio feeds and text will help us identify inappropriate content such as drug use, which cannot be easily detected through screenshots. We will continue to enhance the effectiveness of our automated screenshot filtering system and develop new technologies to detect a greater variety of potential inappropriate content. For example, in March 2013, we applied for a patent for a new type of facial recognition monitoring technology, and in July 2013, we applied for a patent for an automated chat robot technology that helps us detect inappropriate text and automatically remind users of our terms of service.

Advanced streaming capabilities

Our technology infrastructure enables real-time multicast video streaming and communication between users across multiple devices. For example, we have independently researched and developed back end infrastructure that enables uploading and downloading content at the same time. We have enhanced the real time digital audio/visual CDN (proprietary technology) to allow our users to select and connect to the fastest server based on various benchmark analyses. We believe we are the only company in the industry with the technology capability to simultaneously connect ten video and audio sources. The technology infrastructure underlying our platform can support up to 100,000 concurrent users per room and 50,000 streams of live video at any given time.

Video and audio quality

We strive to adopt the latest video and audio industry standards that is available across multiple devices and networks. Our technology allows us to provide clear audio-visual transmission while minimizing the bandwidth used in transmission of our content. Our technology infrastructure is designed to allow the audio-reverb effect in our real-time video rooms to reach a level of performance comparable to live karaoke rooms. In addition, we add buffers to the data underlying our streams to ensure uninterrupted delivery to our users even with up to 30% data loss due to poor Internet connectivity, which is higher than industry average. Additionally, our mobile apps for our communities are designed to run smoothly on low-end mobile phones, with minimum bandwidth requirements of approximately 15 kilobytes per second.

We devote significant resources to maintain and develop a creative combination of multiple audio-and audio-over Internet protocol quality assurance mechanisms to minimize data loss and jitter. The mechanisms we employ include cloud-based intelligence routing, low-bitrate redundant solution, upstream-forward error correction and adaptive jitter. We use a routing algorithm that optimizes the delivery of audio and video data across our cloud-based network, enabling us to provide consistent quality of service with minimum delay.

Cloud services

Our team of experts developed a cloud-based network infrastructure specifically designed to handle multi-party audio-and video-enabled real-time online interactions. We own approximately 1,000 servers which are hosted in over 20 Internet data centers throughout China. Our cloud-based network infrastructure provides quality data delivery and allows multiple users to interact online from anywhere in China easily and with minimal delay.

Our cloud-based servers also enable several features that enhance users' experiences. For example, users can record and store live performance content that can be uploaded onto other popular Internet television platforms. In addition, users can access our "cloud rating" system, which can identify the similarities between the user's singing and the original song.

Our system is designed for scalability and reliability to support growth in our user base. The number of our servers contributes significantly to our fast streaming speed and reliable services, and can be expanded with comparative ease, given the low cost of renting data centers to host additional servers in any high traffic region in our network. We believe that our current network facilities and broadband capacity provide us with sufficient capacity to carry out our current operations, and can be expanded to meet additional capacity relatively quickly. The amount of bandwidth we lease is continually expanded to reflect increased peak concurrent users.

Stability and security

We utilize high-availability clusters comprising groups of servers to provide sufficient redundancy and ensure continued services in the event of single point server failure due to hostile attacks, systematic errors or other reasons. Our high availability data system ensures that back-up servers are connected into our network instantly once master servers experience technical difficulties. In addition, our internally developed operation and maintenance system closely and constantly monitors the usage of resources such as CPU, memory and common technical issues and alerts our technical team of unusual technical difficulties. As a result, our platform is highly stable. We have engaged the highest level of firewall services to safeguard against sophisticated cyber-attacks, including a professional Anti-DDoS system.

Moreover, all of our user data is encrypted and saved in at least two different places within our internal servers rather than client-based servers, protected by access control, and further backed up in our long-distance disaster recovery system, so as to minimize the possibility of data loss. Once a hacking attack is detected, our technical team will immediately coordinate with the local supporting staff of the relevant server provider to diagnose and solve the technical problems. During the Track Record Period and the subsequent period up to the Latest Practicable Date, we had not experienced any material network disruptions or incidents of hacker attacks.

Research and Development

We believe that our ability to develop Internet and mobile applications and services tailored to respond to the needs of our user base has been a key factor for the success of our business. We have been able to rapidly scale our product development output and deliver an increasing range of products and services to fulfill changing user needs and maximize the quality of user experience. To maintain and enhance our market leadership position, we will need to continue to invest in research and development in order to enhance our products and services. Additionally, in line with our business strategy of expanding to the mobile games sector, we are focused on self-developing mobile games, particularly those with social and interactive video functions.

As of December 31, 2013, we had 315 research and development employees. Our research and development personnel have an average of over three years of industry experience and over 50% have been our employees for more than two years. Approximately 10% of our research and development team holds master's degrees or above and approximately 90% holds bachelor's degrees. All of our platform features are designed and developed internally, including various interactive audio and video technologies. We expect to continue to develop all of our core technologies in-house.

Our product development and R&D efforts focus on developing leading technologies and the best user experience in the live social video industry. Long term, we aim to be device and network agnostic in China and to operate a platform that runs virtually on any computer or operating system and on multiple hardware and device platforms, including mobile devices and smart TVs. We are investing in mobile game and O2O opportunities to leverage our strengths and technological capabilities in real time, multicast video streaming.

Competition


Our primary competitors in the live social video community market include YY Music (operated by YY Inc.), Guagua.cn (operated by Beijing Enlight Media Co., Ltd.) and 6.cn (operated by Beijing Six Rooms Technology Co., Ltd.). In addition, we compete with other Internet companies that provide audio and video services to Chinese Internet users. We also compete for online advertising revenues with other Internet companies that sell online advertising services in China. Additionally, we may face potential competition from global online social networking service providers that seek to enter the China market, whether independently or through the formation of strategic alliances with, or acquisition of, PRC Internet companies.

We believe that the barriers to entry in our industry are comparatively high due to the technical challenges underlying the delivery of audio and video data through the frequently unstable Internet connections in China. In addition, unless a competitor has reached a certain size, we believe it would be difficult for such competitor to economically and efficiently resolve the practical operational difficulties that arise when a platform hosts large numbers of concurrent users. This in turn would lead to inability to timely resolve technical issues as they arise, which would impact user experience.

For a discussion of risks relating to competition, see “Risk Factors – We face competition in several major aspects of our business. If we fail to compete effectively, we may lose users, which could materially and adversely affect our business, financial condition and results of operations.”

Intellectual Property

We regard our proprietary domain names, copyrights, trademarks, trade secrets and other intellectual property critical to our business operations. We rely on a combination of patents, copyrights, trademarks and trade secret laws to protect our intellectual property. As at the Latest Practicable Date, we had registered:

- eight trademarks in China, including the logo “” for our 9158.com;
- 37 domain names, including 9158.com, sinashow.com and 99xiu.com;
- one patent in China, relating to method for automatic filtering disqualified image based on multilayer characteristics (基於多層特徵的不良圖像自動過濾方法); and
- 219 copyrights in China, relating to all of our online communities, games and other products.

BUSINESS

As of the Latest Practicable Date, we had 105 pending trademark applications in China, 14 pending trademark applications in Hong Kong. We have submitted four pending patent applications independently or jointly with third parties in China. Most of our intellectual property is owned by Hangzhou Tiange and Zhejiang Tiange, and certain trademarks, copyrights and domain names are owned by Hantang, Jinhua9158 and Jinhua99 for the purpose of maintaining and renewing their operating licenses as required by relevant PRC government authorities. For detailed information about our material intellectual property, see “Appendix IV – Statutory and General Information – B. Further Information about the Business of Our Company – 2. Our Material Intellectual Property Rights.”

We implement comprehensive measures to protect our intellectual property in addition to making trademark and patent registration applications. Our key measures to protect our intellectual properties include: (i) trademark searches prior to the launch of our new products; (ii) timely registration and filing with relevant authorities and application of intellectual property rights for our significant technologies and self-developed software; and (iii) overall source code protection of proprietary information.

In addition, our cooperative technology development agreements with third parties also contain provisions of warranties and remedies to protect us from intellectual property infringement. We entered into intellectual property licensing arrangements with SINA Group, pursuant to which SINA Group granted us a license to use at no cost, in connection with our communities, an exclusive right to use the Sina Show Logos, as well as a non-exclusive right to use the Sina Show Trademarks. This license lasts until 2020. We do not own the “Sina” brand names and depend on licensing arrangements with SINA Group for the use of these brand names. For details, see “Risk Factors – We do not own the Sina Show Marks or Sina Domain Name, and rely on licensing arrangements with SINA Group for the use of these marks and domain names.”

Mr. Fu has entered into an indemnification letter to indemnify us for any liability incurred from any infringement of third-party intellectual property rights caused by the content on our platform and software in respect of infringement that took place prior to the our Listing up to a period of three years after Listing. The indemnity will take effect upon Listing.

While we actively take steps to protect our intellectual property rights, circumstances outside our control could pose a threat to our intellectual property rights. Measures we have taken may not be adequate to prevent the infringement or misappropriation of our intellectual property.

Also, we cannot be certain that our products and services do not or will not infringe valid patents, copyrights or other intellectual property rights held by third parties. In particular, the content on our platform may infringe the intellectual property rights of third parties. Currently, there are two types of content found on our platform that involves third-party intellectual property rights: (i) music or streaming video content played by users during real-time video chat, which is in the form of live performances or content provided by users on our live social video communities, and (ii) music or streaming video content provided directly by us,

BUSINESS

primarily consisting of the database of licensed songs within our Virtual Video software and licensed movies on our video streaming website, www.cnmj.com.cn. To mitigate the risks of being exposed to infringement liability as a result of these types of music and streaming video content, the Company has implemented the following measures:

- For content provided by users, we have established an IP violation reporting system in line with the Regulations on the Protection of Rights to Network Dissemination of Information and other relevant laws and regulations. This system and its related internal policies and measures ensure that we will take immediate action upon receiving a confirmed report of content infringing third-party intellectual property rights. Under this system and related internal policies, we will issue a warning for first-time infringing users, temporarily suspend the accounts of second-time violators, and permanently terminate the accounts of third-time violators.
- For content provided directly by us, we have obtained all relevant licenses required through various license agreements, and as such, we are authorized to provide such content. Pursuant to our internal control policies, we must: (a) sign license agreements before providing any third-party content on our platform and software, and (b) prior to signing such license agreements, we must examine written documentation provided by the licensor to ensure that the licensor is either the original copyright owner or has legal authorization from the original copyright owner to use such content.
- Our terms of service require users to agree not to stream or otherwise provide any content that infringes on third-party intellectual property rights.

However, due to the fact that the content provided by our users are through live video streaming and such content is not recorded or retained in any way for repeat viewing and use, as well as the massive amount of user-generated content on our platform, we are not able to detect all instances of potential infringement by our users of third-party intellectual property rights. In addition, there are no clear implementation rules or guidance promulgated by relevant governmental authorities indicating how the government authorities would implement and execute relevant intellectual property laws and regulations against an Internet platform operator in the event that there is an alleged intellectual property infringement issue caused by real-time content posted on such Internet platform.

As such, we may be subject to legal proceedings and claims from time to time relating to the intellectual property of others. See “Risk Factors – We may be subject to intellectual property infringement claims, which could be time-consuming and costly to defend and may result in diversion of our financial and management resources.”

As of the Latest Practicable Date, we have not been subject to any material dispute or claims for infringement upon third parties’ trademarks, licenses and other intellectual property rights in China.

BUSINESS

Employees

We had 804, 877 and 898 employees as of December 31, 2011, 2012 and 2013. As of December 31, 2013, none of our employees were located outside of China. The following table sets forth a breakdown of our employees by function as of December 31, 2013:

| | Number of employees | % of total |
|--------------------------------------|--------------------------------|-------------------|
| Operations | 330 | 36.7% |
| Sales and marketing | 137 | 15.3% |
| Research and development | 315 | 35.1% |
| General and administration | 116 | 12.9% |
| Total | 898 | 100% |

Our success depends on our ability to attract, retain and motivate qualified personnel. We adopt high standards in recruitment with strict procedures to ensure the quality of new hiring and use various methods for our recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy our demand of different types of talent. We have developed a corporate culture that encourages initiative, technical superiority and self-development. Moreover, we provide a robust training program for new employees that we hire, which we believe are effective in equipping them with the skill set and work ethics that we require of our employees.

As required by PRC laws, we participate in mandatory employee social insurance plans that are organized by municipal and provincial governments for our employees, including pension insurance, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing provident funds. Both the Company and the employee should bear costs for the social security plan in proportion to the specified percentage. We are required under PRC law to make contributions to employee social insurance plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. The total amount of contributions we made for defined contribution retirement schemes and other social security costs, housing benefits and other employee benefits for the years ended December 31, 2011, 2012 and 2013 were approximately RMB10.7 million, RMB15.6 million and RMB17.2 million, respectively. In addition, we also grant share options and restricted share units to our employees to incentivize them to contribute to our growth. For details, see “Appendix IV – Statutory and General Information – D. Share Incentive Scheme.”

BUSINESS

We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethic policies and non-competition with most of our executive officers, managers and employees. These contracts typically include a non-competition provision effective during and up to one year after their employment with us and a confidentiality provision effective during and after their employment with us.

Our employees have not formed any employee union or association. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

Properties

We purchased office premises with an aggregate gross floor area of 5,373 square meters in Hangzhou, PRC as our headquarters. The total cost of this purchase is RMB101.0 million. The title certificate of such office premises is still pending. As of the Latest Practicable Date, we leased facilities for commercial use with an aggregate gross floor area of 7,690 square meters in Hangzhou, Jinhua and Beijing, PRC for our office space.

The leased facilities currently accommodate our management headquarters, principal development, engineering, sales and marketing, human resources and administrative activities. In addition, we also have offices that are used for promotional activities. All of our landlords are independent third parties. The lease agreements we have entered into have various terms from approximately 12 months to 38 months, expiring from the end of June 2014 to February 2016. Our servers are hosted in leased Internet data centers in different geographic regions in China. We typically enter into leasing and hosting service agreements that are renewable annually.

Out of our 12 leased commercial properties, the landlords of 3 properties cannot provide adequate Title Certificate or valid authorization documents. The absence of the Title Certificates or valid authorization documents limits our ability to determine whether the lessor has the right to lease the properties and if the lessor is not the legal owner or has not been duly authorized by the legal owner, the validity and enforceability of our lease agreements may be materially and adversely affected.

Out of our 12 leased commercial properties, 11 of the relevant leases have not been registered. The lease registration is not a mandatory condition for the validity of the lease agreements and the absence of such registration will not affect the legality of the lease agreements or impede our use of the relevant properties. The lack of lease registration may subject us to an administrative penalty of up to RMB10,000 for each non-registered lease.

BUSINESS

Despite these defects, we are of the view that such defects are not crucial to our operation and the view that all of our properties are in safe conditions. There will be no significant difference in rental expenses we would have to pay if the properties did not have defective titles. We can relocate to other comparable properties, if necessary, without any material adverse effect on our operations and financial conditions.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as at December 31, 2013, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets.

Legal Compliance and Proceedings

Except as disclosed below, during the Track Record Period and as at the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which could have a material adverse effect on our operations or financial condition. However, we may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

Our PRC Legal Advisor is of the view that our PRC Operating Entities' operation of their online games is not in violation of the Notice on Regulating Operation Order of Online Games and Inspection of Gambling via Online Games (關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知) jointly issued by the Ministry of Public Security, the MOC, the MIIT and the GAPP on January 25, 2007.

In addition, the Stock Exchange's announcement on "Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers" issued in 2003 discussed requirements applied to listing applicants or listed issuers which are engaged in activities contrary to the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) (the "**Gambling Ordinance**") or not lawful under the Gambling Ordinance. We engaged Dr. Gerard McCoy SBS QC SC to advise us regarding the Gambling Ordinance, and he is of the view that our business operations do not contravene the Gambling Ordinance or other relevant gaming or gambling laws and regulations of Hong Kong.

BUSINESS

Non-compliance

During the Track Record Period, we have had incidents of non-compliance. The table below sets forth the relevant information of non-compliance issues relating to the requirement:

| Non-compliance issue and reasons | Legal consequents and potential maximum penalties and other financial losses | Latest status | Measures taken/to be taken to prevent any future breaches and ensure on-going compliance |
|--|---|--|--|
| <p>Two Internet games (including 26 game units currently operated and 3 game units to be operated) and one mobile game we currently operate have not completed the filing recording process with the MOC nor obtained the approvals from the GAPP within the time limit as required under the Online Game Measures and the GAPP Notice.</p> <p>Additionally, we have commenced the operation of our online games before we obtained the Internet Publishing License required by the GAPP.</p> <p>Historically, we lacked sufficient knowledge on, and did not engage outside legal counsel or consult with the regulatory agencies on all operations, particularly the requirements under the relevant rules and regulations in the PRC before we started the preparation for the Listing.</p> | <p>Under the Online Games Measures implemented by the MOC, failure to complete the content review and filing recording process before publishing the Internet and mobile games may subject us to a maximum fine of RMB540,000.</p> <p>Under the GAPP Notice, our failure to obtain GAPP's approval before our games' commencement of publication may cause us to discontinue operating relevant games.</p> <p>Under the GAPP Notice, our commencement of operating online games before obtaining the Internet Publishing License may cause our game business discontinued.</p> <p>The total revenue generated from the two Internet games was approximately RMB33.0 million, RMB15.4 million and RMB17.6 million in 2011, 2012 and 2013, respectively. The mobile game was launched in 2013 and its total revenue was approximately RMB1.7 million in 2013. Total revenue generated from these three games accounted for 8.6%, 3.4% and 3.5% of our total revenue in 2011, 2012 and 2013, respectively.</p> | <p>As of May 2014, we have submitted the required materials for the content review and filing with the MOC and approval from the GAPP for two Internet games (including 26 game units currently operated and 3 game units to be operated) and one mobile game, and the application for one Internet game (including 18 game units we currently operate) has passed review by the local counterpart of GAPP in Zhejiang Province and is under review by the GAPP at central level. In May 2014, we also obtained the GAPP approval for our mobile game. We will obtain the GAPP approval and complete the filing with the MOC for the remaining games in due course.</p> <p>On November 26, 2013, we have obtained the Internet Publishing License from the GAPP.</p> | <p>We have submitted required materials for the content review and filing recording with the MOC and for the GAPP's approval for the remaining one Internet game (including 8 game units we currently operate and 3 game units to be operated in future) in April 2014 and we are striving to complete the filing recording before Listing. Going forward, we will review and submit required materials within the time limit before launching our online games. In June 2013, we hired our legal vice president, who has close to ten years of experience in advising technology companies in China on legal issues, including Netease, Alibaba and Taobao, and substantial expertise on legal internal control issues. Our legal vice president has implemented more detailed internal control policies to guide us when we enters into a new business/industry, as well as brought to us a more thorough understanding of the mobile game regulatory regime. In particular, we have enhanced our compliance measures for mobile games so that non-compliance incidents will not occur in the future. Additionally, the Company's new compliance policy will require the retaining of and discussion with PRC legal counsel on regulatory and legal compliance issues for each new area of business that it enters into.</p> |

BUSINESS

| Non-compliance issue and reasons | Legal consequents and potential maximum penalties and other financial losses | Latest status | Measures taken/to be taken to prevent any future breaches and ensure on-going compliance |
|---|---|---|---|
| We violated the PRC exchange settlement regulations once in 2011. Due to an internal control oversight, in the settlement of approximately US\$1 million in 2011, we did not use the converted RMB as described in our exchange settlement filing documents and we presented fake invoices issued to us by a third party for the filing without knowing that the invoices were faked. | We were fined and paid administrative penalties of RMB200,000 in 2012. | No other violations or ongoing proceedings. | We have implemented additional and more stringent internal control policies to avoid similar incidents in the future. |

The Directors believe that our Group has established adequate internal control systems to ensure that necessary government filings, approval and permits have been obtained and maintained by our Group in connection with our business operation. Having considered the facts and circumstances leading to the above non-compliance incidents as disclosed in this section and our Group's enhanced internal control measures to avoid recurrence of these non-compliance incidents discussed above, our Directors believe that the above past non-compliance incident does not affect their suitability to act as directors of a listed issuer under Rule 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. For more details in relation to our enhanced internal control procedures with respect to legal compliance, please refer to section headed "– Risk Management – Legal Compliance and Intellectual Property Rights Risk Management".

Insurance

We have purchased mandatory employee social insurance. In line with industry standards, we do not maintain property insurance, key employee insurance or business interruption insurance. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. See "Risk Factors – We have not purchased any insurance to cover our main assets and business and our limited insurance coverage could expose us to significant costs and business disruption."

BUSINESS

Licenses, Permits and Approvals

We have obtained substantially all of material licenses required for our business operations in the PRC, including the ICP License, the Network Cultural Business Permit (網絡文化經營許可證), the Internet Publishing License (互聯網出版許可證) and License for Online Transmission of Audio/Video Programs (信息網絡傳播視聽節目許可證). The table below sets forth the relevant details of these licenses required for our operation in the PRC:

| License/Permit | Holder | Grant Date | Expiration Date |
|---|------------|-------------------|-------------------|
| ICP License | Hantang | May 21, 2014 | November 15, 2014 |
| ICP License | Jinhua9158 | May 8, 2014 | December 21, 2018 |
| ICP License | Jinhua99 | May 8, 2014 | December 21, 2018 |
| ICP License | Xingxiu | March 17, 2014 | January 22, 2018 |
| ICP License | Tianhu | May 21, 2014 | May 20, 2019 |
| Network Cultural Business Permit | Hantang | October 25, 2013 | March 31, 2015 |
| Network Cultural Business Permit | Jinhua9158 | May 7, 2014 | March 31, 2015 |
| Network Cultural Business Permit | Jinhua99 | April 16, 2014 | March 31, 2015 |
| Network Cultural Business Permit | Xingxiu | April 2, 2014 | April 2, 2017 |
| Network Culture Business Permit | Tianhu | May 14, 2014 | May 14, 2017 |
| Internet Publishing License | Hantang | November 26, 2013 | November 26, 2015 |
| License for Online Transmission of Audio/Video Programs | Hantang | March 5, 2013 | March 5, 2016 |

See “Regulatory Overview” for more details of all the licenses, permits and approvals we need for our business operations in the PRC.

Risk Management

We are devoted to establishing risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We have in place a comprehensive group-wide risk management framework and a dynamic risk monitoring system. For example, at the board level, our Board of Directors is responsible and has general powers over the management and conduct of the business of our Company, and is in charge of the overall risk control of our Group. Any significant business decision involving material risks, such as major new product developments or whether to incur significant corporate finance transactions, will be reviewed, analyzed and

BUSINESS

approved at the board level to ensure a thorough examination of the associated risks at our highest corporate governance body. At the daily corporate management level, our management team, led by Mr. Fu, is in charge of the daily business operations of our Group. Our executive officers, in charge of finance, marketing, content and technology development, work closely with our executive directors and supervise the risks relevant to their respective fields of operations on a daily basis.

We have established a control system over various aspects of our operations, including human resources, internal control and information management. We are constantly monitoring the effectiveness of our risk management system.

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethics and legal compliance. The demand for skilled employees is intense in our industry and we may be adversely affected by the departure of any key employees. See “Risk Factors – Our business depends substantially on the continuing efforts of our management and other key personnel, as well as a competent workforce that supports our existing operations and future growth. If we lose their services, our operations and growth prospects may be severely disrupted.” Further, we also require our staff to maintain high ethical standards.

We distribute copies of our employee handbook to all our employees. The employee handbook contains a code of conduct that each employee must comply with. We train our employees on the guidelines contained in the Employee Handbook.

We provide regular technical trainings to our technical staff on working procedures, internal policies, management, technical skills and other aspects that are relevant to our staff’s day-to-day work. Through these trainings, we ensure our technical staff’s skill set is up-to-date and satisfies our requirements. In addition to technical training, we also provide specialized training to employees in our legal and financial departments.

Information Risk Management

As a host of online content, our business involves a substantial amount of user data and other related information. Any leakage or loss of user data or inappropriate contents generated by the users may adversely affect our reputation, and if material, may subject us to potential legal liability. See “Risk Factors – We could be liable for our users’ privacy being compromised which may materially adversely affect our reputation and business.”

BUSINESS

We believe we have implemented adequate measures in user data protection. Our database administration department is responsible for ensuring that collection, storage and use of player data complies with our internal rules and applicable laws and regulations. It also supervises the protection of data privacy. The department consists of approximately 8 employees. The key supervisors of the team have extensive experience in cyber security protection and Internet information management and substantially all of our database administrators have Internet or computer science academic background. We provide training to our database administrators to enhance their technical skills and conduct regular reviews of their performance. Further, our database administration department holds weekly meetings to review information technology issues, assess work progress and make plans for upcoming work streams.

We have taken a number of measures to enhance the security of our users' data. See “– Our Technology – Stability and Security” for details.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We established strict internal reimbursement and financial activities reporting policies. In particular, our financial department has implemented special inspection and verification procedures on invoices, bills, notes and other financial instruments, checking the legitimacy of the original instruments we receive and use. The accountants or tellers in the financial department will also check whether the amount and time provided on the face of the instrument match the relevant contracts. Where government approval is required for our financial activities, such as exchange settlement filing, our legal department will inspect the relevant financial instruments and review the internal reports from other departments before it authorizes the stamping of our official company chop on the application material.

Our finance team is headed by our chief financial officer, who has extensive experience of 15 years in finance and accounting, including over three years as the chief financial officer of a U.S.-listed public company. Other senior members of our finance department are all experienced in finance and accounting. We provide ongoing trainings to our finance staff to ensure that our financial reporting and risk management policies are well-observed and effectively implemented.

Legal Compliance and Intellectual Property Rights Risk Management

Compliance with PRC laws and regulations, especially laws and regulations governing the live social video community industry, as well as the protection of our intellectual property rights and the prevention of liabilities resulting from potential illegal contents of publication and intellectual properties infringement are major focus areas of our operational risk management. Our legal team consists of 4 employees and is led by our vice-president of legal, who has more than 9 years of PRC law practicing experience with a focus on network. Our legal department is responsible for approve contracts, monitor any changes in PRC laws and regulations and ensures the ongoing compliance of our operations with PRC law.

BUSINESS

Our legal department assists our business department in conducting searches to ensure that all of our intellectual properties are under the protection of relevant laws and regulations, and also ensures the application for trademark, copyright or patent registrations for, as well as filing with relevant authorities of all of our products. For example, under our internal policies implemented in 2012, during the product development phase, our legal department will assess the potential legal issues surrounding the product being developed, such as the time required to make or obtain necessary government filings or approvals, the feasibility of obtaining such approvals, potential intellectual property risks and third-party licenses required. The legal department will then administer the execution process of obtaining the necessary filings, approvals, and/or licenses. Other than some standard contracts which have been reviewed by the legal department, all the contracts of our Company are required to be approved by our legal department prior to their execution. In addition, we establish intellectual property infringement notice policies to ensure timely monitoring of the infringement incidents.

Contractual Arrangements

Despite the risk related to potential challenge from the tax authorities on transfer pricing under the Contractual Arrangements, which has been disclosed as a risk factor in the section headed “Risk Factors – Risks related to our Contractual Arrangements – The Contractual Arrangements between the relevant WFOEs and PRC Operating Entities may be subject to scrutiny by the PRC tax authorities and any finding that we or PRC Operating Entities owe additional taxes could substantially reduce our consolidated net income and the value of your investment.”, our Directors consider that such risk is remote. Please refer to the section headed “Contractual Arrangements – Effect and Legality of the Contractual Arrangements”.

Our WFOEs undertake the major functions of research and development and act as the core business decision-makers for the Group’s operations, and thus bear the major risks associated with our Group’s operations. Our WFOEs have deployed appropriate facilities and personnel to provide services to our PRC Operating Entities under the Exclusive Technology Service Agreements, to undertake the major functions of our operations in the PRC, and to drive the key business decision-making processes of our Group. The staff of our PRC Operating Entities are only responsible for the operations and management of the respective PRC Operating Entity. Our Directors believe that such allocation of resources would allow a proper discharge of the respective responsibilities of the WFOEs and the PRC Operating Entities under the Contractual Arrangements and also ensure sound and effective operation of our Group in compliance with the Contractual Arrangements and applicable laws and regulations.

Furthermore, as of the Latest Practicable Date, none of the WFOEs and the PRC Operating Entities has been investigated, challenged or penalized for any transfer pricing-related matter.

BUSINESS

Awards and Recognitions

During the Track Record Period, we have received awards and recognition in respect of management, performance, innovation, for example:

| <u>Award/Recognition</u> | <u>Award date</u> | <u>Awarding Institution/Authority</u> | <u>Entity/Product</u> |
|--|-------------------|--|-----------------------|
| Science Achievement of Zhejiang Province (浙江省科學技術成果) | 2011 | The People's Government of Zhejiang Province | Jinhua9158 |
| Research and Development Center of High-tech Enterprises of Zhejiang Province (浙江省高新技術企業研究開發中心) . . | 2012 | The People's Government of Zhejiang Province | Zhejiang Tiange |
| Research and Development Center of High-tech Enterprises of the City of Jinhua (金華市高新技術研究開發中心) | 2012 | Science and Technology Bureau of the City of Jinhua | Zhejiang Tiange |
| The First-Grade Award of 2012 Jinhua Science and Technology Award (2012年度金華市科學技術一等獎) | 2012 | The People's Government of the City of Jinhua | Jinhua9158 |
| 2013 Important Enterprises in Top Ten Industries of the City of Hangzhou . . . | 2013 | The Office of Top Ten Industries of the City of Hangzhou | Hangzhou Tiange |

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR FOUNDER

Our Group was founded by Mr. Fu, who is responsible for the overall strategic planning, management and operations of our Group. Mr. Fu's vision and leadership are instrumental to the development and growth of our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options and any Shares to be issued pursuant to the Post-IPO RSU Scheme), Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited will be entitled to exercise voting rights of approximately 25.14% and 2.79% of the issued share capital of our Company, respectively. Blueberry Worldwide Holdings Limited is wholly owned by Three-Body Holdings Ltd under Mr. Fu's Trust. Mr. Fu's Trust is a discretionary trust established by Mr. Fu as settlor, with Mr. Fu himself and Mr. Fu Yanchang as beneficiaries. Cloud Investment Holdings Limited is wholly owned by Star Wonder Holding Ltd under Mr. Fu Yanchang's Trust. Mr. Fu Yanchang's Trust is a discretionary trust established by Mr. Fu Yanchang, father of Mr. Fu, as settlor, with Mr. Fu Yanchang himself and Mr. Fu as beneficiaries. Accordingly, Blueberry Worldwide Holdings Limited, Cloud Investment Holding Limited, Three-Body Holdings Ltd, Star Wonder Holding Ltd, Mr. Fu and Mr. Fu Yanchang are our Controlling Shareholders.

Mr. Fu founded our Group and is the chairman of our Board and an executive Director of our Company. For details of Mr. Fu's background, please refer to the section headed "Directors and Senior Management – Executive Directors" in this prospectus. For details of Mr. Fu's entitlements to share incentive schemes, please refer to the section headed "Statutory and General Information – C. Further Information about Directors and Substantial Shareholders – 1. Disclosure of Interests" in this prospectus. Mr. Fu Yanchang does not hold any position in our Group. Neither Mr. Fu nor Mr. Fu Yanchang engages in any business other than the business undertaken by our Group. Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited are entities established in the BVI which have not carried out any business since their respective incorporation.

We, through our WFOEs, Hangzhou Tiange and Zhejiang Tiange, have also entered into certain agreements underlying the Contractual Arrangements with Mr. Fu and Mr. Fu Yanchang in their capacity as Registered Shareholders of our PRC Operating Entities. For further details of such agreements, please refer to the section headed "Contractual Arrangements" in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders and Directors confirm that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Deed of Non-Competition

Mr. Fu, Mr. Fu Yanchang, Three-Body Holdings Ltd, Star Wonder Holding Ltd, Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited (the “**Covenantors**”) have entered into a deed of non-competition (the “**Deed of Non-Competition**”) in favour of our Company on June 16, 2014, pursuant to which each of the Covenantors has jointly and severally, unconditionally and irrevocably undertaken with our Company that he/it will not (except through the Group and any investment or interests held through the Group), and will procure his/its associates (other than any member of our Group) not to, directly or indirectly (including through nominees), carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in competition with or similar to or is likely to be in competition with the business referred to in this prospectus that is carried on or contemplated to be carried on by any member of our Group (the “**Restricted Business**”) during the period commencing on the Listing Date and ending on the earliest of the date that:

- the Shares cease to be listed on the Stock Exchange; or
- the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their associates in our Company falls below 30% of the issued Shares; or
- in relation to a particular Covenantor individually, the date when such Covenantor and all of his/its associates cease to hold, or otherwise be interested in beneficially, whether directly or indirectly, any of the Shares (the “**Non-Competition Period**”).

Such non-competition undertaking does not apply where the Covenantors and their associates:

- hold, directly or indirectly, no more than 5% of the equity interests in any company listed on a recognized stock exchange; or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- have interests in the shares of a company, other than our Group and any investment or interests held through our Group, provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated sales or consolidated assets, whichever is less, as shown in that company's latest audited accounts; and
 - (b) the total number of the shares held by the Covenantors and their associates in aggregate does not exceed 10% of the issued shares of that class of the company in question and the Covenantors and their associates are not entitled to appoint a majority of the directors of that company.

In addition, the Covenantors also granted us options for new business opportunities related to the Restricted Business (the “**Options for New Business Opportunities**”). The Covenantors have undertaken to us to:

- (i) if any of the Covenantors becomes aware of a new business opportunity which directly or indirectly competes, or may compete, with the Restricted Business, such Covenantor shall notify us in writing and provide us all information which is reasonably necessary for us to consider whether or not to engage in such business opportunity (“**Offer Notice**”). Each Covenantor is also obliged to use its best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable. We are entitled to decide whether or not to take up such business opportunity within 30 days from receiving the Offer Notice. If we decide to take up such business opportunity, the relevant Covenantor is obliged to transfer the new business opportunity to us upon terms that are fair and reasonable. If we decide not to take up the new business opportunity or do not respond to the relevant Covenantor within 30 days from receiving the Offer Notice, the relevant Covenantor or its subsidiaries, if applicable, may operate such new business opportunity at its discretion.
- (ii) Each Covenantor undertakes that it will procure all of its subsidiaries (other than members of our Group), if applicable, to offer a right of first refusal to us over any business opportunity which they encounter that competes, or may compete, directly or indirectly, with the Restricted Business.

Our independent non-executive Directors will be responsible for reviewing the Options for New Business Opportunities and considering whether or not to take up a new business opportunity referred to by the relevant Covenantor and such decision will be made by the independent non-executive Directors. When considering whether or not to exercise the Options for New Business Opportunities, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, popularity and type of users of the relevant platform, estimated profitability, investment value and permits and approval requirements.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates after the Global Offering.

Management Independence

The Board comprises two executive Directors (including Mr. Fu), two non-executive Directors and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. Further, we believe our independent non-executive Directors bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest and shall not be counted in the quorum present at the particular Board meeting. Accordingly, our Directors are of the view that we are able to operate independently from the Controlling Shareholders notwithstanding that Mr. Fu is also a Controlling Shareholder and an executive Director.

Apart from the transactions set out in the sections headed “Contractual Arrangements” and “Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries or pursuant to the Contractual Arrangements) holds or enjoys the benefit of all relevant licenses necessary to carry on our businesses, and has sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders.

In addition, pursuant to the Contractual Arrangements, our Directors are authorized to exercise all of the rights of shareholders of our PRC Operating Entities. Our Group is entitled to the right to enjoy all the economic benefits of our PRC Operating Entities and to exercise management control over the operations of our PRC Operating Entities. Pursuant to the Exclusive Call Option Agreements entered into between Hangzhou Tiange and each of Hantang, Jinhua9158 and Jinhua99, and between Zhejiang Tiange and Xingxiu, Hangzhou

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Tiange and Zhejiang Tiange have been granted irrevocable options to purchase the equity interest in the relevant PRC Operating Entities, entirely or partially, at a purchase price equal to the higher of the capital contributions paid to the registered capital by the respective Registered Shareholder for such interests and the minimum purchase price permitted under PRC laws. In addition, pursuant to the Exclusive Call Option Agreements, Hangzhou Tiange and Zhejiang Tiange have been granted an irrevocable option to acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of the relevant PRC Operating Entity at a purchase price equal to the higher of the net book value of such assets and such minimum purchase price permitted under PRC laws. Our Directors consider that through the Contractual Arrangements, our Group has obtained financial and operational control of our PRC Operating Entities through Hangzhou Tiange and Zhejiang Tiange, and that the Contractual Arrangements are sufficient to ensure that the financial results of each of our PRC Operating Entities can be consolidated as a wholly-owned subsidiary of our Company.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and we make financial decision according to our own business needs.

In addition, our Group does not rely on the Controlling Shareholders and/or their associates for their provision of financial assistance. Our Directors believe that we are capable of obtaining financing from external sources without reliance on the Controlling Shareholders.

In February and March, Mr. Fu and Mr. Fu Yanchang entered into new loan agreements, and amendment agreements to such loan agreements in June 2014 with each of Hangzhou Tiange and Zhejiang Tiange with respect to loan to be used as capital injection into each of our PRC Operating Entities as part of the overall scheme of enhancing the control over our PRC Operating Entities pursuant to the Contractual Arrangements. Further details of the Loan Agreements underlying the Contractual Arrangements are set out in the sections headed “Contractual Arrangements – Loan Agreement” in this prospectus. Our Company and our Directors do not believe that the existence of the Loan Agreements would affect our ability to operate independently of our Controlling Shareholders and their respective associates from a financial perspective.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

We shall adopt the following corporate governance measures to manage any potential conflicts of interest arising from competing business and to safeguard the interests of our Shareholders:

- our independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition;
- the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the undertakings contained in the Deed of Non-Competition;
- our Company will disclose decisions and related basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking by the Covenantors under the Deed of Non-Competition in the annual reports of the Company; and
- each of the Covenantors has undertaken to provide, upon request, our Company with a written confirmation in respect of his/its compliance with the Deed of Non-Competition and will consent to the inclusion of such confirmation in our annual report.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

We have entered into a number of agreements and arrangements with our connected persons (as set out below) in our ordinary and usual course of business. Upon the Listing, the transactions disclosed in this section will constitute connected transactions under the Listing Rules.

Based on the tentative timetable for the proposed Listing, it is expected that the Company will be listed on the Main Board of the Stock Exchange after July 1, 2014. Accordingly, all references to the provisions in Chapter 14A of the Listing Rules in this section are references to the new connected transaction provisions in accordance with the amendments to Chapter 14A of the Listing Rules which will take effect from July 1, 2014.

CONNECTED PERSONS

The table below sets forth the connected persons of our Company who conduct or will conduct connected transactions with our Group upon Listing and the nature of their connection with our Group:

| <u>Name</u> | <u>Connected Relationship</u> |
|-----------------------|--|
| Mr. Fu | Mr. Fu is our Director and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules. |
| SINA HK. | SINA HK is a substantial shareholder of our Company and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules. |
| Beijing SINA. | Beijing SINA is a subsidiary of SINA HK and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules. |
| Hantang. | Hantang is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules. |
| Jinhua9158 | Jinhua9158 is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules. |
| Jinhua99 | Jinhua99 is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules. |
| Xingxiu | Xingxiu is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules. |

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

The following table is a summary of our continuing connected transactions:

| Nature of Transaction | Applicable Hong Kong Listing Rules | Waiver Sought | Proposed Annual Cap for the Year Ending December 31, | | |
|---|------------------------------------|--|--|------------|------------|
| | | | 2014 | 2015 | 2016 |
| (RMB) | | | | | |
| <u>Exempt Continuing Connected Transactions</u> | | | | | |
| Sina Show IP Agreements | 14A.76(1) | N/A | Nil | Nil | Nil |
| <u>Non-Exempt Continuing Connected Transactions</u> | | | | | |
| (i) Framework Cooperation Agreement | 14A.35, 14A.36, 14A.51 to 14A.53 | Waiver from announcement and independent shareholders' approval requirements under 14A.35, 14A.36 to 14A.45 | <i>Aggregate amounts paid for services provided by SINA Group to us:</i> | | |
| | | | 17,500,000 | 21,000,000 | 25,200,000 |
| | | | <i>Aggregate amounts paid for services provided by us to SINA Group:</i> | | |
| | | | 12,600,000 | 15,120,000 | 18,144,000 |
| (ii) Contractual Arrangements | 14A.35, 14A.36, 14A.51 to 14A.53 | Waiver from (i) announcement and independent shareholders' approval requirements; (ii) the requirement of setting an annual cap; and (iii) the requirement of limiting the term of the New Agreements to three years or less under 14A.35, 14A.36 to 14A.45, 14A.52 and 14A.53 | N/A | N/A | N/A |



CONNECTED TRANSACTIONS

Exempt Continuing Connected Transactions

The following agreements constitute continuing connected transactions for our Group, which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.73(1) of the Listing Rules.

Sina Show IP agreements

In connection with our operation of Sina Show, Hantang and Beijing SINA entered into the following agreements:

- (a) a trademark licensing agreement on July 1, 2010 and a supplemental agreement on March 13, 2014, which extended the license term to July 1, 2020 (together, the “**Sina Show Trademark Licensing Agreement**”). Pursuant to the Sina Show Trademark Licensing Agreement, Beijing SINA granted Hantang a sole license to use the “新浪 Show”, “新浪秀” and “SinaShow” logos (the “**Sina Show Logos**”) in the PRC. In addition, Beijing SINA also granted Hantang a non-exclusive right to use the “”, “”, “新浪網” and “sina” trademarks (the “**Sina Show Trademarks**”, together with the Sina Show Logos, the “**Sina Show Marks**”) in the PRC only in connection with our operation of Sina Show and related products or services; and
- (b) a domain name licensing agreement on July 1, 2010 and a supplemental agreement on March 13, 2014 which extended the license term to July 1, 2020 (together, the “**Sina Show Domain Name Licensing Agreement**”, together with the Sina Show Trademark Licensing Agreement, the “**Sina Show IP Agreements**”). Pursuant to the Sina Show Domain Name Licensing Agreement, Beijing SINA granted Hantang a sole license to use its “show.sina.com.cn” domain name (the “**Sina Show Domain Name**”) in the PRC.

The licenses under both agreements are royalty-free. Hantang is entitled to sub-license the Sina Show Marks and Sina Show Domain Name to our Company and its subsidiaries, including our PRC Operating Entities. If Beijing SINA terminates the Sina Show IP Agreements due to Hantang's (i) failure to remedy a breach of contract and compensate Beijing SINA accordingly, (ii) entering into bankruptcy or winding-up proceedings, or (iii) inability to fulfil its obligations under the agreement due to a force majeure event, Beijing SINA shall give Hantang a six-month grace period to seek replacement solutions.

In addition, if anytime during the license term, PRC laws and regulations require any member of our Group or its respective shareholders to own any of the Sina Show Logos used by it, Beijing SINA agrees to transfer the relevant Sina Show Logo to Hantang or other member of our Group at no consideration, provided that such transfer can be operated. Upon expiration of the license term, Hantang or the relevant member of our Group shall transfer such Sina Show Logos back to Beijing SINA at no consideration.

For further details of the Sina Show Marks and the Sina Show Domain Name, please refer to the “Appendix IV – Statutory and General Information – 2. Our Material Intellectual Property Rights” section in this prospectus.

CONNECTED TRANSACTIONS

Listing Rules Implications

Under the Listing Rules, the transactions contemplated under the Sina Show IP Agreements will be aggregated and treated as if they were one transaction as they are of similar nature with parties connected or otherwise associated with one another. As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Sina Show IP Agreements, as aggregated, are less than 0.1%, the transactions contemplated under these agreements constitute *de minimis* continuing connected transactions pursuant to Rule 14A.73(1) of the Listing Rules, and are exempt from reporting, announcement and independent shareholders' approval requirements. No annual cap is therefore set for these agreements.

As required by Rule 14A.52 of the Listing Rules, the period for continuing connected transactions must not exceed three years, except in cases where the nature of the transaction requires the contract to be of a duration longer than three years. Our Directors and the Joint Sponsors are of the view that the trademarks and domain names granted under the Sina Show IP Agreements are essential for the operation of Sina Show and a longer duration of the agreements will provide and maintain stability of such business. Moreover, our Group has to devote significant capital commitment and management effort to operate the relevant platforms, which makes it commercially desirable for our Group to have a sufficiently long term use of the trademarks and domain names to capture the benefits arising for our effort.

Non-Exempt Continuing Connected Transactions

We set out below details of the continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.35, 14A.36 to 14A.45, 14A.49, 14A.55 to 14A.59 and 14A.71 of the Listing Rules.

Framework Cooperation Agreement

We entered into a business cooperation agreement with SINA HK (the "**Framework Cooperation Agreement**") on June 10, 2014, which is valid until December 31, 2016. The Framework Cooperation Agreement serves as a framework agreement containing the scope of services, transaction principles, and pricing terms and policies for those services.

Provision of services

A. Provision of services by SINA Group to us

Pursuant to the Framework Cooperation Agreement, the SINA Group agrees to provide a range of services to our Group, including (i) advertising or related marketing for our Group, our customers or in relation to business collaborations between the SINA Group and our Group; (ii) technical development or consultation; and (iii) provision of wireless messaging channels for delivering messages the content of which are supplied by us.

CONNECTED TRANSACTIONS

B. Provision of services by us to SINA Group

Pursuant to the Framework Cooperation Agreement, our Group shall provide certain services to members of SINA Group, including (i) advertising or related marketing for SINA Group, customers represented by it or in relation to business collaborations between the SINA Group and us; and (ii) technical development or consultation.

Agreements underlying the Framework Cooperation Agreement

Any agreements to be entered into for the services provided under the Framework Cooperation Agreement shall be entered in accordance with the transaction principles, pricing terms and policies set out thereunder. However, members of our Group have entered into agreements with members of the SINA Group for certain services under the Framework Cooperation Agreement which are still valid. For those agreements, the pricing of the services provided shall continue to be determined in accordance with the pricing terms and policies set out in the relevant agreement.

Transaction principle

Both parties shall ensure the services provided to the other party should be in good quality and at fair and reasonable prices. If there are specific regulations under the applicable law, the parties shall follow such regulations in providing the services.

Basis of determination of price

The pricing of the services to be provided under the Framework Cooperation Agreement shall be determined in accordance with the (i) the applicable market price or fees at the time; and (ii) if no applicable market price or fees is available, then in accordance with the reasonable costs and reasonable profits of the relevant services.

Reasons for transaction

As part of our strategic cooperation with Sina Group, we have entered into long-term collaboration with Sina Group in different business operations. Both parties consider that the continuous procurement of services from each other facilitates the sharing of technical resources and gives our business complementary strengths.

Existing underlying agreements

As aforementioned, the agreements underlying the Framework Cooperation Agreement which are still valid and existing between members of the SINA Group and members of our Group are set out below:

(i) Advertising – Advertisement Cooperation Agreement

On September 1, 2011, Hantang entered into an advertising cooperation agreement (the “**Advertising Cooperation Agreement**”) with Beijing SINA, Beijing Sina Advertisement Co., Ltd. (北京新浪廣告有限公司), Jinzhuo Hengbang Technology

CONNECTED TRANSACTIONS

(Beijing) Co., Ltd. (金卓恒邦科技(北京)有限公司) and Shanghai Sina Advertising Co., Ltd. (上海新浪廣告有限公司) (together, the “**Original Sina Parties**”). The parties entered into a supplemental agreement on September 1, 2012 which extended the term of the Advertising Cooperation Agreement to August 31, 2014, and a further supplemental agreement on April 1, 2013 which added Beijing MicroDream TechnoInnovation IT Technology Co. (北京微夢創科網絡技術有限公司) (together with the Original Sina Parties, the “**Sina Parties**”) as a party to the agreement. Pursuant to the Advertising Cooperation Agreement, the Sina Parties are responsible for the sales and marketing, while Hantang is responsible for placing advertisements on Sina Show platform for customers recruited by the Sina Parties and for providing technical and operational support. Income generated from the services under the Advertising Cooperation Agreement is split in half by Hantang and the Sina Parties, after deduction of a 12% agent commission by the Sina Parties.

(ii) Wireless Payment Services – Wireless Payment Services Agreement

On October 1, 2012, Jinhua9158 and Beijing SINA entered into a cooperation agreement (the “**Wireless Payment Services Agreement**”) which shall be valid until September 30, 2014. The parties entered into a supplemental agreement on January 1, 2013 pursuant to which Xingxiu replaced Jinhua9158 as a party to the Wireless Payment Services Agreement and assumed all of Jinhua9158’s obligations thereunder. Pursuant to the Wireless Payment Services Agreement, the parties launched wireless payment services including pre-paid cards, mobile banking, online banking. Xingxiu is responsible for providing technical support and services while Beijing SINA is responsible for operation and settlement. Accordingly, Xingxiu pays a service fee to Beijing SINA amounting to 2% or 3.5% of the payments collected from users, depending on the method of payment used by users.

(iii) Wireless Payment Services – Sina Show Wireless Payment Services Agreement

On September 1, 2010, Hantang, Beijing SINA and Beijing Star Online Cultural Development Co., Ltd. (北京星潮在線文化發展有限公司) entered into a cooperation agreement (the “**Sina Show Wireless Payment Services Agreement**”). Subsequently, the parties entered into three supplemental agreements on March 1, 2011, March 1, 2013 and March 1, 2014 respectively. As a result of these supplemental agreements: (a) Shenzhen Wangxing Technology Co., Ltd. (深圳市網興科技有限公司) became a party to the Sina Show Wireless Payment Services Agreement, (b) Xingxiu replaced Hantang as a party to the Sina Show Wireless Payment Services Agreement and assumed all of Hantang’s obligations under the agreement, and (c) the term of the Sina Show Wireless Payment Services Agreement was extended to February 28, 2015. Pursuant to the Sina Show Wireless Payment Services Agreement, Beijing SINA, Beijing Star Online Cultural Development Co., Ltd and Shenzhen Wangxing Technology Co., Ltd. provide wireless channels to users of Sina Show to “top-up” their virtual currency used on Sina Show. Accordingly, Hantang (and later Xingxiu) pays to each of those parties a portion of the net income generated from the relevant top-up services.

CONNECTED TRANSACTIONS

(iv) *Wireless Messaging – Mobile Messaging Agreement*

On April 18, 2013 Xingxiu and Beijing SINA entered into a wireless platform business cooperation agreement (the “**Mobile Messaging Agreement**”), which took effect on February 1, 2013, and a supplemental agreement on February 1, 2014 to extend the Mobile Messaging Agreement to January 31, 2015. Pursuant to the Mobile Messaging Agreement, Beijing SINA provides wireless messaging channels to Xingxiu to deliver wireless messages to users and Xingxiu supplies the content of the messages. For the services provided by Beijing SINA, Xingxiu pays a service fee of RMB0.06 per message successfully delivered.

Historical transaction amounts

The annual aggregate amounts paid for services provided by SINA Group to us and for services provided by us to SINA Group under the Framework Cooperation Agreement in each of the three financial years ending December 31, 2013, including the amount paid pursuant to each of the aforementioned existing underlying agreements, are set out as follows:

| | Year ending December 31, | | |
|---|--------------------------|---------------|--------------|
| | 2011 | 2012 | 2013 |
| | (RMB in thousands) | | |
| Aggregate amounts paid for services | | | |
| provided by SINA Group to us | 13,000 | 16,360 | 2,209 |
| <i>Advertising or related marketing</i> | – | 16,360 | 2,000 |
| <i>Technical development</i> | 13,000 | – | – |
| <i>Wireless payment services/messaging</i> | – | – | 209 |
| Aggregate amounts paid for services | | | |
| provided by us to SINA Group | 4,305 | 9,573 | 6,479 |
| <i>Advertising or related marketing</i> | 4,070 | 9,086 | 6,062 |
| <i>Wireless payment services/messaging</i> ⁽¹⁾ | 235 | 487 | 417 |

Note:

(1) Payments for wireless payment services are settled by SINA Group and then transferred to us.

CONNECTED TRANSACTIONS

Annual caps

The annual aggregate amounts to be paid for services provided by SINA Group to us and for services provided by us to SINA Group under the Framework Cooperation Agreement for each of the three financial years ending December 31, 2016 will not exceed the following annual caps:

| | Annual Caps | | |
|---|--------------------------|------------|------------|
| | Year ending December 31, | | |
| | 2014 | 2015 | 2016 |
| | | | |
| | | (RMB) | |
| Aggregate amounts paid for services provided by SINA Group to us. | 17,500,000 | 21,000,000 | 25,200,000 |
| Aggregate amounts paid for services provided by us to SINA Group. | 12,600,000 | 15,120,000 | 18,144,000 |

Basis of annual caps

Provision of services by SINA Group to us

Following the Listing, we expect a significant increase in expenditure in the promotion of our brands during 2014 to 2016. As discussed in the section “Future plans and use of proceeds – Use of proceeds”, we plan to use approximately 20% of the net proceeds of the Global Offering for expanding our marketing and promotion activities. As of the first quarter of 2014, the Group has already placed advertisements costing approximately RMB3.6 million of advertising fees to SINA Group’s portals.

Provision of services by us to SINA Group

Following the Listing, we anticipate an increase in our advertising revenue during 2014 to 2016 as a result of better recognition of our brands and greater social influence by us. In particular, we have developed specific strategies to increase our advertising revenue generated through SINA Group, such as developing new modes of placing built-in advertisements such as via hosts and virtual items, adjusting our advertisement marketing measures to accommodate changing needs from customers referred by SINA Group, conducting training to SINA Group’s marketing staff to enhance their understanding of the Group’s advertising resources, so that they could make better recommendations to their clients to place advertisements on our portals.

Contractual Arrangements

As disclosed in the section “Contractual Arrangements” in this prospectus, our Principal Business is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, we, as foreign investors, cannot acquire equity interest in our PRC Operating Entities, which hold certain licenses and permits required for the operation of our Principal Business.

CONNECTED TRANSACTIONS

Therefore, our Group, through our WFOEs, Hangzhou Tiange and Zhejiang Tiange, has entered into the Contractual Arrangements with our PRC Operating Entities and their shareholders in order to conduct the Principal Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Operating Entities.

As part of the Reorganization, Hangzhou Tiange and Zhejiang Tiange, the PRC Operating Entities, Mr. Fu and Mr. Fu Yanchang as the registered shareholders of the PRC Operating Entities entered into the New Agreements. Each of the PRC Operating Entities, the relevant WFOE and the Registered Shareholders (where applicable) entered into a set of underlying agreements on the same terms, being (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議).

The detailed terms of the New Agreements are set out in the section headed “Contractual Arrangements” in this prospectus.

Listing Rules Implications

Framework Cooperation Agreement

Since the highest applicable percentage ratio as set out in the Listing Rules based on the relevant annual cap as set out above is, on an annual basis, expected to exceed 5%, such transaction is subject to the (i) reporting and announcement requirements under Rules 14A.35, 14A.49 and 14A.71 of the Listing Rules, (ii) annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules, and (iii) independent shareholders’ approval requirements under Rule 14A.36 to 14A.45 of the Listing Rules.

Contractual Arrangements

Each of our PRC Operating Entities is owned as to 98% by Mr. Fu and hence an associate of Mr. Fu and a connected person of our Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the New Agreements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Our PRC Legal Advisor is of the opinion that, except for certain provisions in the New Agreements may not be enforceable under PRC laws (see the section “Risk Factors – Risks Related to Our Contractual Arrangements – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”), the New Agreements, taken individually or collectively, are valid and legally binding on and enforceable against the parties to them in accordance with their respective terms and provisions under PRC laws and regulations. However, our PRC Legal Advisor has also advised that, given the uncertainties in relevant PRC laws and the wide discretion the government authorities have in their interpretation of PRC laws, there is no assurance that the PRC government authorities will have the same opinion on the interpretation of PRC laws.

CONNECTED TRANSACTIONS

Our Directors believe that our Group's structure whereby the financial results of each of our PRC Operating Entities are consolidated into our Group's financial statements as indirect subsidiaries, and the flow of economic benefits of their business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the New Agreements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between our PRC Operating Entities and any member of our Group ("**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

In addition, our Directors (including the independent non-executive Directors) and the Joint Sponsors are of the view that the New Agreements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Application for Waiver

In view of the above, on behalf of the Company and pursuant to Rule 14A.105 of the Listing Rules, we hereby apply for a waiver to exempt:

- (i) the non-exempt continuing connected transactions under the Framework Cooperation Agreement and the New Agreements from strict compliance with announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules;
- (ii) the non-exempt continuing connected transactions under the New Agreements from strict compliance with the requirement of setting a maximum aggregate annual value (i.e., an annual cap) for the fees payable to the Group under the New Agreements, and the requirement of limiting the term of the New Agreements to three years or less, for so long as the Shares are listed on the Stock Exchange and subject to the following conditions:
 - (a) *No change without independent non-executive Directors' approval*

No change to the New Agreements will be made without the approval of the independent non-executive Directors;

CONNECTED TRANSACTIONS

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the New Agreements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the New Agreements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The New Agreements shall continue to enable our Group to receive the economic benefits derived by our PRC Operating Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire, all or part of the equity interest in and/or assets of each of our PRC Operating Entities at the minimum purchase price permitted under PRC laws and regulations, (ii) the business structure under which the profit generated by each of our PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Hangzhou Tiange and Zhejiang Tiange by the relevant PRC Operating Entity under the relevant Exclusive Technology Service Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of each of our PRC Operating Entities.

(d) Renewal and reproduction

On the basis that the New Agreements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the New Agreements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the New Agreements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

CONNECTED TRANSACTIONS

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the New Agreements on an ongoing basis as follows:

- The New Agreements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the New Agreements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the New Agreements, have been operated so that the profit generated by each of our PRC Operating Entities has been substantially retained by Hangzhou Tiange and Zhejiang Tiange (as the case may be), (ii) no dividends or other distributions have been made by any of our PRC Operating Entities to the relevant holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and our PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.
- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the New Agreements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the New Agreements and that no dividends or other distributions have been made by our PRC Operating Entities to the relevant holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Operating Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Operating Entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the relevant PRC Operating Entity), and transactions between these connected persons and our Group (including for this purpose, the relevant PRC Operating Entity), other than those under the New Agreements, will be subject to requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

- Each of our PRC Operating Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, it will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreements, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from any of our PRC Operating Entities under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that our PRC Operating Entities will continue to be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each PRC Operating Entity and its associates will be treated as connected persons of our Company (excluding for this purpose, the relevant PRC Operating Entity), and transactions between these connected persons and our Group (including for this purpose, the relevant PRC Operating Entity), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

CONFIRMATION FROM THE DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, have participated in the due diligence and discussions with our management and our PRC Legal Advisor and have obtained necessary representations and confirmations from our Company and our Directors.

CONNECTED TRANSACTIONS

The Joint Sponsors are of the view that the New Agreements are fundamental to our Group's legal structure and business operations. With respect to the term of the New Agreements being of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Operating Entities can be effectively controlled by Hangzhou Tiange and Zhejiang Tiange (as the case may be), (ii) Hangzhou Tiange and Zhejiang Tiange can obtain the economic benefits derived from our PRC Operating Entities, and (iii) possible leakages of assets and values of our PRC Operating Entities can be prevented.

Further, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for transactions contemplated under the Framework Cooperation Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONTRACTUAL ARRANGEMENTS

CONTRACTUAL ARRANGEMENTS

Introduction

We are primarily engaged in the operations of live social video communities, online and mobile games (the “**Principal Business**”), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, we cannot acquire equity interest in our PRC Operating Entities, which hold certain licenses and permits required for the operation of our Principal Business. For further details of the limitations on foreign ownership in PRC companies conducting value-added telecommunications services and the licensing and approval requirements applicable to our Principal Business under PRC laws and regulations, please refer to the section headed “Regulatory Overview – Regulations on Value-Added Telecommunications Business” in this prospectus.

As a result, our WFOEs, Hangzhou Tiange and Zhejiang Tiange, entered into contractual arrangements (the “**Contractual Arrangements**”) with our PRC Operating Entities and their shareholders in order to conduct the Principal Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Operating Entities. More specifically, the Contractual Arrangements are entered into between Hangzhou Tiange and each of Hantang, Jinhua9158 and Jinhua99 (the “**Hangzhou Contractual Arrangements**”) and between Zhejiang Tiange and Xingxiu (the “**Zhejiang Contractual Arrangements**”). With respect to the Hangzhou Contractual Arrangements, Hangzhou Tiange, each of Hantang, Jinhua9158 and Jinhua99 and their respective registered shareholders (where applicable) have entered into a set of these underlying agreements: (i) Exclusive Technology Consulting and Service Agreement (獨家技術諮詢和服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Exclusive Intellectual Property Rights Call Option Agreement (知識產權獨家認購協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議). With respect to the Zhejiang Contractual Arrangements, Zhejiang Tiange, Xingxiu and its respective registered shareholders (where applicable) have entered into these underlying agreements: (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議). The underlying agreements of the Hangzhou Contractual Arrangements and the Zhejiang Contractual Arrangements are collectively referred to as the “**Existing Agreements**”.

In preparation for the Listing and upon the completion of the Reorganization, Hangzhou Tiange and Zhejiang Tiange, the PRC Operating Entities, Mr. Fu and Mr. Fu Yanchang as the registered shareholders of the PRC Operating Entities (the “**Registered Shareholders**”) entered into new agreements (the “**New Agreements**”) underlying the Contractual Arrangements. Each of the PRC Operating Entities, the relevant WFOE and the Registered Shareholders (where applicable) entered into a set of underlying agreements with substantially identical terms, being (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議).

CONTRACTUAL ARRANGEMENTS

Key amendments made in the New Agreements are intended to comply with the Listing Rules which mainly include:

| Existing Agreements | New Agreements |
|----------------------------|-----------------------|
|----------------------------|-----------------------|

Dispute Resolution Clause in Each Agreement

In the event of any dispute arising out of or in relation to such agreement, the parties shall negotiate in good faith to resolve such dispute, failing which the parties may submit the dispute to China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration.

Arbitrators may award remedies over the equity interests or assets of the PRC Operating Entities and courts of competent jurisdiction may grant interim remedies over the equity interests or assets of the PRC Operating Entities.

However, the Existing Agreements are silent on the remedies that the arbitrators may grant and the competent courts with powers to grant interim remedies.

Exclusive Call Option Agreement

The WFOEs are entitled to an exclusive and unconditional option to purchase the registered shareholders’ equity interests in the PRC Operating Entities and the PRC Operating Entities’ assets.

It is further specified that the WFOEs shall exercise the option as soon as possible after the PRC laws and regulations allow the WFOEs to directly operate the Principal Business. In addition, to comply with the Listing Rules, the identity of the third party designated by the WFOEs to acquire the optioned equity interests and assets is also specified.

Furthermore, it is expressly stipulated that subject to relevant laws and regulations, the Registered Shareholders shall return any consideration they receive in the event that the WFOEs acquire the PRC Operating Entities’ equity interests.

Voting Rights Proxy Agreements

The registered shareholders undertake to appoint the individual designated by the WFOEs as their power of attorney to exercise their shareholders’ rights in accordance with the then effective articles of association.

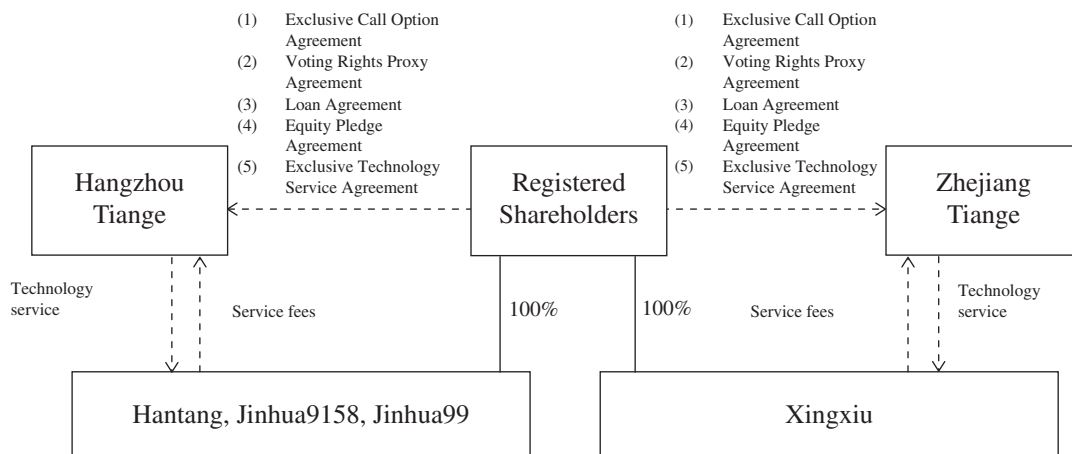
To comply with the Listing Rules, the identity of the individual appointed by the relevant WFOE as its power of attorney to exercise all rights of the Registered Shareholders granted under each Voting Rights Proxy Agreement is expressly defined.

CONTRACTUAL ARRANGEMENTS

Such changes are made in order to fully comply with the Listing Rules, to further strengthen our Group’s control over the PRC Operating Entities and to perfect the rights conferred upon our Group over the economic benefits of the PRC Operating Entities.

In addition, we have taken and plan to continue to take specific steps to comply with the Qualification Requirement discussed in the section headed “Regulatory Overview – Regulations on Value-added Telecommunications Business” in this prospectus. Week8 HK, our subsidiary in Hong Kong, launched 9158 Video Chat (9158視頻聊天), a traditional Chinese version of mobile application for one of our primary communities, 9158 Video Community, on Google Play Store in Hong Kong in March 2014, targeting players in Hong Kong and overseas Chinese communities, and has been preparing to launch traditional Chinese version of mobile applications for our other existing live social video communities. We plan to promote our live social video communities in Chinese-speaking countries and regions by selectively partnering with, investing in or acquiring other companies. Our Company and Week 8 HK will be responsible for identifying and assessing suitable overseas business opportunities and executing investments or acquisitions. We are expanding our team to ten members by the end of 2016 to operate relevant communities, develop business, provide technical support and maintain public relationships in overseas markets. Despite the lack of specific guidance from the relevant regulatory authorities as to the Qualification Requirement, our PRC Legal Advisor is of the view that these steps are reasonable and appropriate to comply with the Qualification Requirement as they demonstrate that Week8 HK has experience in providing value-added telecommunications services in an overseas market. We expect that the aggregate expenditures incurred and to be incurred for taking the steps mentioned above will not exceed RMB2,000,000.

Diagram of the Contractual Arrangements under the New Agreements



CONTRACTUAL ARRANGEMENTS

Notes:

1. Please refer to the section headed “Exclusive Call Option Agreement” below.
2. Please refer to the section headed “Voting Rights Proxy Agreement” below.
3. Please refer to the section headed “Loan Agreement” below.
4. Please refer to the section headed “Equity Pledge Agreement” below.
5. The registered shareholders are Mr. Fu and Mr. Fu Yanchang.
6. Please refer to the section headed “Exclusive Technology Service Agreement” below.

Exclusive Technology Service Agreements

Each of our PRC Operating Entities and the relevant WFOE entered into an amended and restated Exclusive Technology Service Agreement in June, 2014, pursuant to which the relevant PRC Operating Entity agrees to engage the relevant WFOE as its exclusive provider of technology services related to its business. Such technology services include: (i) licensing of software required for the relevant PRC Operating Entity’s business and provision of technical applications and implementation related to the PRC Operating Entity’s business operations; (ii) research, development, maintenance and upgrade of technology and software necessary for the PRC Operating Entity’s business operations; (iii) consulting services for procurement of equipment, software and hardware systems required for the PRC Operating Entity’s business operations; (iv) daily maintenance, troubleshooting and upgrade of computer network systems and other hardware equipment and databases of the PRC Operating Entity; (v) technical services related to advertisement design, software design and webpage production, etc. for each PRC Operating Entity’s advertising business; (vi) technical training and assistance to personnel employed by the PRC Operating Entity; (vii) assistance in the collection and analysis of all technical data from website operation for the purpose of improving technical services provided under the relevant Exclusive Technology Service Agreement; and (viii) additional services requested by the PRC Operating Entity from time to time. In addition, the relevant WFOE has exclusive and proprietary rights to all intellectual properties arising from the performance of these services.

Pursuant to each Exclusive Technology Service Agreement, the relevant PRC Operating Entity shall pay to the relevant WFOE a service fee at 95% of the PRC Operating Entity’s net revenue, i.e. revenue less any costs and expenses (except the service fee) necessary for such PRC Operating Entity’s business operations and any taxes (except enterprise income tax) and accumulated losses in a given year, plus extra service fee for additional services provided by the WFOE upon request of the PRC Operating Entity, within three months after each calendar year for the services provide in the preceding year. Our Directors consider that the above arrangements will ensure the economic benefits generated from the operations of the PRC Operating Entities will flow to the relevant WFOEs and hence, our Group as a whole. As at the Latest Practicable Date, our WFOEs have deployed appropriate facilities and personnel to provide services to our PRC Operating Entities under the Exclusive Technology Service Agreements, to undertake the major functions of our operations in the PRC, and to drive the key business decision-making processes of our Group. The staff members of the PRC

CONTRACTUAL ARRANGEMENTS

Operating Entities are mainly responsible for operations and management of the PRC Operating Entities only. Our Directors believe that such allocation of resources would allow a proper discharge of the respective responsibilities of the WFOEs and the PRC Operating Entities under the Contractual Arrangements and also ensure sound and effective operation of our Group in compliance with the Contractual Arrangements and applicable laws and regulations. As of the Latest Practicable Date, none of the WFOEs and the PRC Operating Entities has been investigated, challenged or penalized for any transfer pricing-related matter.

Each Exclusive Technology Service Agreement has a term of twenty years and will be automatically renewed on a yearly basis after expiration unless otherwise notified by the relevant WFOE, and shall be terminated when the operating term of the relevant WFOE or the relevant PRC Operating Entity expires. To the extent permitted by law, each PRC Operating Entity is not contractually entitled to terminate relevant Exclusive Technology Service Agreement with relevant WFOE.

Further, pursuant to each Exclusive Technology Service Agreement, without the prior written approval from the relevant WFOE, the relevant PRC Operating Entity (i) shall not enter into any transactions that may result in conflicts with the Exclusive Technology Service Agreement or adversely affect the WFOE's interests thereunder; and (ii) shall not dispose of any of its material assets or change its existing shareholding structure.

Exclusive Call Option Agreements

Each of our PRC Operating Entities, the Registered Shareholders, and the relevant WFOE entered into an amended and restated Exclusive Call Option Agreement in June, 2014, pursuant to which (i) the Registered Shareholders irrevocably grant the WFOE an exclusive and unconditional option to purchase their equity interests in the PRC Operating Entity to the extent permitted under PRC law at a purchase price equal to the higher of the capital contribution paid to the registered capital by the respective Registered Shareholder for such interests or the lowest price permitted under PRC law, and (ii) the PRC Operating Entity irrevocably grants the WFOE an exclusive and unconditional option to purchase all or part of its assets to the extent permitted under PRC law at a purchase price equal to the higher of the net book value of such assets or the lowest price permitted under PRC law. The WFOE may also designate a third party to purchase all or part of the interests and assets of the PRC Operating Entity, subject to the call option. Such third party shall be (i) a direct or indirect shareholder of the WFOE (when exercising equity purchase option or assets purchase option), or (ii) a director of the WFOE or the WFOE's direct or indirect shareholder who is a PRC citizen (when exercising equity purchase option).

Pursuant to each Exclusive Call Option Agreement, the Registered Shareholders have undertaken to perform certain acts or refrain from performing certain acts until they obtain written consent from the WFOE, including without limitation:

- (i) not to transfer or otherwise dispose of or establish any encumbrance on their equity interests;
- (ii) not to increase or reduce the PRC Operating Entity's registered capital, or procure or agree to any merger between the PRC Operating Entity and any other entity;

CONTRACTUAL ARRANGEMENTS

- (iii) not to, or to procure the management of the PRC Operating Entity not to, dispose of any material assets of the PRC Operating Entity (save for the transactions occurring in the ordinary course of business), terminate any material agreement to which the PRC Operating Entity is a party, or enter into any other agreement which is in conflict with any existing material agreement;
- (iv) not to appoint or replace any director, supervisor or any other management of the PRC Operating Entity who shall be appointed or dismissed by the Registered Shareholders of the PRC Operating Entity;
- (v) not to procure the PRC Operating Entity to declare or distribute any distributable profits or dividends;
- (vi) to ensure the valid existence of the PRC Operating Entity and that the PRC Operating Entity will not be terminated, liquidated or dissolved;
- (vii) not to make any amendment to the articles of association of the PRC Operating Entity; and
- (viii) to ensure that the PRC Operating Entity will not lend or borrow any loan, or provide guarantee or any other form of guarantee, or commitment any material undertakings out of the ordinary course of operation.

Further, the PRC Operating Entity has also undertaken to perform certain acts or refrain from performing certain acts until they obtain written consent from the WFOE, including without limitation:

- (i) the PRC Operating Entity shall make best efforts to satisfy any conditions to effect the transfer of the equity interests and assets subject to the call option under the Exclusive Call Option Agreement, including the obtaining of third party consent, permit, waiver, authorization or governmental approval, permit or waiver, or completion of any registration or filing with government authorities;
- (ii) without the WFOE's written consent, the PRC Operating Entity shall not assist in or allow any transfer or other disposal of the equity interests subject to the call option or creation by the Registered Shareholders of any encumbrance or third party rights on such equity interests, or transfer or otherwise dispose of any of its material assets (save for the transactions occurring in the ordinary course of business) or creation any encumbrance or other third party rights on the assets; and
- (iii) the PRC Operating Entity shall not conduct or allow any behavior or action that may adversely affect the WFOE's interest under the Exclusive Call Option Agreement.

CONTRACTUAL ARRANGEMENTS

Each Exclusive Call Option Agreement expires when all the equity interests in and assets of the relevant PRC Operating Entity have been transferred to the relevant WFOE or its designated entities or individuals. To the extent permitted by law, each PRC Operating Entity and its Registered Shareholders are not contractually entitled to terminate relevant Exclusive Call Option Agreement with relevant WFOE.

In addition, the respective Registered Shareholders undertake that (i) in case they receive any dividends or other profit distributions from the PRC Operating Entities, they shall return to the same to the WFOEs, with deduction of applicable taxes and governmental fees; and (ii) in case they receive any proceeds from transfer of equity interests in the PRC Operating Entities, or any distributions upon liquidation of the PRC Operating Entities, and if the amount of such proceeds or distribution is higher than the loans owed by the Registered Shareholders respectively to the WFOEs under the relevant Loan Agreements, they shall return to the WFOE such proceeds or distribution they receive, with deduction of applicable taxes and governmental fees, and the amounts of relevant loans.

Therefore the consideration paid by the WFOEs for purchase of all or part of the assets of PRC Operating Entities, constituting part of the PRC Operating Entities' income, will be returned to the WFOEs in the following different ways: (i) as technology service fees under the Exclusive Technology Service Agreements; (ii) as dividends distributed to the Registered Shareholders upon prior consent of the WFOE, which should be returned to the WFOEs in accordance with the Exclusive Call Option Agreements; or (iii) in case of receipt of properties or assets of the PRC Operating Entities by the Registered Shareholders in the event of liquidation or termination of the PRC Operating Entities, return of such distributed properties or assets to the WFOEs in accordance with the Exclusive Call Option Agreements.

To ensure that the registered shareholders of the PRC Operating Entities duly discharge their obligations under the Contractual Arrangements, each Registered Shareholder has already executed in blank the equity transfer agreements with respect to their respective shareholding in the PRC Operating Entities, which are kept by the Company so that the transfer can be effected and enforced by the relevant WFOE or its designee in the event that any of the Registered Shareholders fails to discharge their obligations under the Contractual Arrangements.

Week8 HK, our wholly-owned subsidiary, enjoys the highest corporate powers of the WFOEs as the sole shareholder of the WFOEs, the Company has complete control over the appointment and removal of the directors of Week8 HK and thus controls over all the corporate decisions made by such directors of Week8 HK and these WFOEs. It is also believed that Mr. Fu, being the chairman of our Company, will uphold his fiduciary duties in acting in the best interests of our Company and will also uphold good governance practices to ensure that the Contractual Arrangements will be implemented and operated in accordance with our Group's policies and the terms of the Contractual Arrangements. Under the Exclusive Call Option Agreements, the third party designee appointed by the WFOEs to exercise the call option will either hold direct or indirect shareholding interests in the WFOEs, or owe fiduciary duties to the WFOEs, Week8 HK or the Company, as applicable. It is believed that the interests of those who hold direct or indirect shareholding interests in the WFOEs align with the interests of the Company, and the director of the WFOEs or the WFOE's direct or indirect shareholder whom may be designated as the WFOE's designee will owe and uphold fiduciary duties in acting in the best interests of the Group.

CONTRACTUAL ARRANGEMENTS

In order to perform the agreements constituting the Contractual Arrangements, our WFOEs have deployed appropriate facilities and personnel to provide technology services in support of the operations of the relevant PRC Operating Entities in return for service fees. As such, our Directors consider that the Contractual Arrangements are fair and reasonable and in the best interest of our Company and its Shareholders as a whole.

Equity Pledge Agreements

Each of the PRC Operating Entities, the Registered Shareholders and the relevant WFOE entered in to an amended and restated Equity Pledge Agreement in June, 2014, pursuant to which, the Registered Shareholders will pledge all their equity interests in the PRC Operating Entity to the WFOE to secure their performance, as well as the performance of the PRC Operating Entity, of the (i) Exclusive Technology Service Agreement; (ii) Exclusive Call Option Agreement; (iii) Voting Rights Proxy Agreement; and (iv) Loan Agreement. If any of the Registered Shareholders or PRC Operating Entity breaches or fails to fulfill the obligations under any of the aforementioned agreements, the relevant WFOE, as the pledgee, will be entitled to foreclose the pledge over the equity interests, entirely or partially.

According to the Security Law of the People's Republic of China (中華人民共和國擔保法, which became effective on October 1, 1995), an equity pledge agreement is effective upon due execution by the parties to it and record of the same in the register of shareholders of the target company prepared and kept by the target company. The Property Rights Law of the People's Republic of China (中華人民共和國物權法, which became effective on October 1, 2007) further requires a registration of the pledge with the competent local administration for industry and commerce, or the competent local AIC (i.e. the local counterpart of the SAIC responsible for registration of incorporation of the target company) for perfection, before which the pledge will not be duly established nor be effective against third parties, and will have no priority over any third party in receiving payments funded from proceeds from the auction or sale of the pledged equity interests. Notwithstanding the pledge not being duly registered with the local AIC, the terms of the relevant pledge agreement will still be legal and valid and the pledgee shall still be entitled to claim liabilities for breach against the pledgor(s) pursuant to the terms of the relevant equity pledge agreement as well as other related and underlying agreements in the event of any breach or default of the terms of such agreements.

Given that the Equity Pledge Agreements have already been duly executed by the Registered Shareholders, the relevant WFOEs and PRC Operating Entities, and the pledges thereunder have also been duly recorded in the register of shareholders of the relevant PRC Operating Entities, the Equity Pledge Agreements shall be valid and legally binding on the parties thereto. However, as of the Latest Practicable Date, the pledges currently registered with the competent local counterparts of the SAIC are based on the standard form of the pledge agreement currently acceptable to be registered with the SAIC and which could only cover the loan repayment obligation under the relevant Loan Agreement. Our PRC Legal Advisor has advised us that (i) the terms of the New Agreements (including the Equity Pledge Agreement) will remain legal, valid and binding on and enforceable against the parties to the New Agreements (including the Equity Pledge Agreement) in accordance with their respective

CONTRACTUAL ARRANGEMENTS

terms; and (ii) collateralized obligations under the New Agreements other than the loans under the Loan Agreements are not effective against third parties until the pledge registration is extended to cover such other obligations thereunder (see “Risk Factors – Risks Related to Contractual Arrangements – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”).

Our Company does not consider that our interests to be achieved through exercise by the relevant WFOE of its right under the terms of the relevant New Agreements underlying the Contractual Arrangements against the relevant PRC Operating Entity and/or the Registered Shareholders have been materially adversely affected due to the lack of registration with the local AICs of the pledges covering other collateralized obligations under the New Agreements other than the loans under the Loan Agreements on the following basis:

- each Loan Agreement has a term of twenty years, or the operating term of the PRC Operating Entity, whichever is shorter, and to the extent permitted by law, the Registered Shareholders are not contractually entitled to terminate the Loan Agreements with relevant WFOE. It is considered that the Equity Pledge Agreements could impede the disposal of the equity interests in the PRC Operating Entities by the Registered Shareholders without prior consent by the WFOE during the term of the Loan Agreement, as a priority pledge with respect to the entire equity interests in each of the PRC Operating Entities to secure the loan under the Loan Agreements have been registered with the competent local AICs, and that pursuant to the terms of the Equity Pledge Agreement, the Registered Shareholders are not allowed to transfer their equity interests in the PRC Operating Entities to third parties without the WFOE’s knowledge or approval;
- under the New Agreements which remains legal and valid and binding on the parties to them, the PRC Operating Entities and the Registered Shareholders have covenanted not to transfer, or create other encumbrance over, the equity interests in the PRC Operating Entities, and the WFOE will also be entitled to exercise its option to purchase part or all of the equity interests or the assets of the PRC Operating Entities under the Exclusive Call Option Agreement;
- the WFOEs will still be entitled to claim liabilities for breach against the Registered Shareholders and/or PRC Operating Entities in accordance with the New Agreements, and may still foreclose the pledged interests or receive payment funded from proceeds from the auction or sale of the relevant pledged interests in the event of any breach or default of the collateralized obligations under the New Agreements other than the Loan Agreement by the Registered Shareholders and/or PRC Operating Entities, as far as there is no third party creditor claiming rights against the same equity interests; and
- pursuant to the Equity Pledge Agreement, the Registered Shareholders have undertaken to use their best endeavor and take all necessary measures to complete the pledge registration as soon as possible and once the practice of the local AIC(s) permits.

CONTRACTUAL ARRANGEMENTS

Accordingly, we believe that our interest as well as our control over the PRC Operating Entities via the New Agreements will not be materially jeopardized despite that the pledges to secure performance of the Registered Shareholders under the other New Agreements have not been registered with the competent local AICs. In addition, the New Agreements (other than the Equity Pledge Agreement) are not subject to similar registration requirements, and the non-registration of the pledges with the local AICs to secure the performance of the Registered Shareholders under the other New Agreements will not jeopardize the rights of the WFOE under the New Agreements other than the Equity Pledge Agreement.

Pursuant to the Equity Pledge Agreement, any dividend or bonus arising from the pledged equity interests shall be deposited into the WFOE's designated bank account, and shall be used in discharge of the collateralized obligations with first priority. Under the Equity Pledge Agreement, the Registered Shareholders warrant to the relevant WFOE that all appropriate arrangements have been made and all necessary documents have been executed to ensure that none of their successors, guardians, creditors, spouses and other third parties will adversely impact or hinder the enforcement of the Equity Pledge Agreement in the event of death, loss of legal capacity, bankruptcy, divorce or any other situation of the Registered Shareholders.

Pursuant to the Equity Pledge Agreement, the Registered Shareholders shall not obtain any dividend or bonus or (in the event of liquidation or termination of the PRC Operating Entity) receive any distribution of properties or assets of the PRC Operating Entity in respect of the pledged equity interests without prior consent from the WFOE, and such dividend, bonus or remaining assets of the PRC Operating Entity shall be deposited into the WFOE's designated bank account, and shall be used in discharge of the secured debts with first priority. The Equity Pledge Agreement will remain in full effect until all the contractual obligations have been performed or all the secured debts have been discharged.

Voting Rights Proxy Agreements

Each of the PRC Operating Entities, the Registered Shareholders and the relevant WFOE entered into an amended and restated Voting Rights Proxy Agreement in June 2014, pursuant to which, each Registered Shareholder, through the Power of Attorney, irrevocably appoints the person designated by the WFOE as his attorney-in-fact to exercise such shareholder's rights in the relevant PRC Operating Entity, including without limitation to, the rights to (a) convene and participate in shareholders meetings in the capacity of a proxy of the Registered Shareholder, (b) exercise the voting rights, on behalf of the Registered Shareholder, and adopt and execute resolutions, on matters to be discussed and resolved at shareholder meetings, including without limitation to, the appointment and election of directors of the PRC Operating Entity or any senior management that should be appointed and dismissed by the shareholders, (c) exercise other voting rights of shareholders under the articles of association of the PRC Operating Entity (including any amendment thereto), (d) submit any required document to any relevant company registry or other authorities in the capacity of a proxy of each Registered Shareholder, and (e) enter into or sign, on behalf of the Registered Shareholder, any equity transfer agreement or other related documents, and process any governmental approvals, registration, filing or other procedures to effect the equity transfer under the Exclusive Call

CONTRACTUAL ARRANGEMENTS

Option Agreement. Pursuant to each Voting Rights Proxy Agreement, the appointee appointed by the WFOE as the Registered Shareholder's power of attorney should be a director of the WFOE or the WFOE's direct or indirect shareholder, or such director's successor (including a liquidator replacing the director or its successor), and such appointee should be a PRC citizen and should not be either of the Registered Shareholders or any of their "connected person" as defined in the Listing Rules. As Week8 HK is a wholly-owned subsidiary of the Company, the appointment and removal of its directors are subject to the Company's complete control (i.e., the Company can replace Week8 HK's directors at any time by exercising its power as the sole shareholder). The Company's own directors, on the other hand, have the duty to act in the best interest of the Company. Therefore, no matter whether the Registered Shareholders authorize Week8 HK's directors or the Company's directors as their exclusive attorneys, we have effective control over all corporate decisions made by these individuals so authorized. As such, we, through Week HK's directors or our own directors, as the case may be, acting as the exclusive attorney of the Registered Shareholders, are able to exercise management control over the PRC Operating Entities.

Each Voting Rights Proxy Agreement has a term of twenty years and will be extended for one year after expiration unless otherwise notified by the WFOE. In case that (i) the operating term of the relevant WFOE or the relevant PRC Operating Entity expires, or (ii) the parties thereto mutually agree on an early termination, the relevant Voting Rights Proxy Agreement may be terminated. To the extent permitted by law, each PRC Operating Entity and its Registered Shareholders are not contractually entitled to terminate relevant Voting Rights Proxy Agreement with relevant WFOE.

Powers of Attorney

Each of the Registered Shareholders executed an irrevocable Power of Attorney in June, 2014, appointing Mai Shi'en as his proxy to exercise on his behalf all of his shareholder rights in the relevant PRC Operating Entity, including the rights to (a) convene and participate in shareholders meetings in the capacity of a proxy of the Registered Shareholder, (b) exercise the voting rights, on behalf of the Registered Shareholder, and adopt and execute resolutions, on matters to be discussed and resolved at shareholder meetings, including without limitation to, the election and appointment of directors or any senior management of the PRC Operating Entity that should be appointed and dismissed by the shareholders, (c) exercise other voting rights of shareholders under the articles of association of the PRC Operating Entity (including any amendment thereto), (d) submit any required document to any relevant company registry or other authorities in the capacity of a proxy of each Registered Shareholder, and (e) enter into or sign, on behalf of the Registered Shareholder, any equity transfer agreement or other related documents, and process any governmental approvals, registration, filing or other procedures to effect the equity transfer under the Exclusive Call Option Agreement. The Power of Attorney shall remain in effect until the expiration or early termination of the relevant Voting Rights Proxy Agreement, unless otherwise the WFOE to the Voting Rights Proxy Agreement designates another appointee. Mr. Mai Shi'en, being an executive Director and the chief operating officer of our Company, has the duty to act in the best interest of our Company. Therefore, we have effective control over all corporate decisions made by Mr. Mai. As such, we, through Mr. Mai, acting as the exclusive attorney of each of the Registered Shareholders, are able to exercise management control over the PRC Operating Entities.

CONTRACTUAL ARRANGEMENTS

Loan Agreements

Each of the relevant WFOEs and the Registered Shareholders entered into a Loan Agreement in February and March, 2014 and an amendment agreement to the respective Loan Agreement in June, 2014, pursuant to which the WFOE provided an interest-free loan facility to each of the Registered Shareholders for his investment in the relevant PRC Operating Entity. Under each of the Loan Agreements regarding the investment in Jinhua9158, Jinhua99 and Xingxiu, the relevant WFOE has lent to each of the Registered Shareholders amounts equal to his respective capital contribution to the registered capital of the relevant PRC Operating Entity, i.e. RMB9,800,000 to Mr. Fu and RMB200,000 to Mr. Fu Yanchang. Under the Loan Agreement regarding the investment in Hantang, Hangzhou Tiange has lent to the Registered Shareholders a total amount of RMB9,000,000 in proportion to their respective shareholding percentage, i.e. RMB8,820,000 to Mr. Fu and RMB180,000 to Mr. Fu Yanchang.

Each Loan Agreement has a term of twenty years, or the operating term of the PRC Operating Entity, whichever is shorter. To the extent permitted by law, the Registered Shareholders are not contractually entitled to terminate the Loan Agreements with relevant WFOE. The WFOE is entitled to accelerate the repayment of loan at anytime at its sole discretion. In addition, pursuant to the Loan Agreements, if the WFOE requests early repayment of all or part of the principal, the WFOEs shall have the right to acquire, or designate a third party to acquire, the Registered Shareholders' equity interests in the PRC Operating Entity at a price equal to the amount that should be repaid.

Dispute Resolution

Each of the New Agreements stipulates that in the event of any dispute arising out of or in relation to the New Agreements, the parties shall negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 30 days, any party may submit such dispute to CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties.

In addition, pursuant to the dispute resolution provisions, the arbitral tribunal may award remedies over the equity interests or assets of the PRC Operating Entities, including restrictions over the conduct of business, restrictions or prohibitions over transfer or disposal of the equity interests or assets or order the winding up of the PRC Operating Entities, and the courts of (i) Hong Kong, (ii) the Cayman Islands (being the place of incorporation of the Company) (iii) the place of incorporation of the relevant PRC Operating Entity (i.e. Hangzhou city or Jinhua city, PRC); and (iv) the place(s) where the Company or the relevant PRC Operating Entity's principal assets are located shall have jurisdiction to grant and/or enforce the arbitral award and to grant interim remedies over the equity interests or assets of the relevant PRC Operating Entity.

However, our PRC Legal Advisor is of the opinion that the aforementioned provisions may not be enforceable under the PRC laws. For instance, CIETAC has no power to grant such injunctive relief, nor will it be able to order the winding up of the PRC Operating Entities under

CONTRACTUAL ARRANGEMENTS

current PRC laws. In addition, interim remedies granted by courts in an overseas jurisdiction, such as Hong Kong and the Cayman Islands, may not be recognized or enforceable in China, and the relevant WFOE may only seek interim remedies or enforcement from competent PRC courts. As a result, in the event that our PRC Operating Entities or any of its shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Operating Entities and conduct our business as well as our financial conditions and the results of operations could be materially and adversely affected (also see the section headed “Risk Factors – Risks related to our Contractual Arrangements – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws”).

Confirmation from Mr. Fu and Mr. Fu Yanchang and their respective spouse

Each of Mr. Fu and Mr. Fu Yanchang has confirmed in each of the New Agreements to which he is a party, that appropriate arrangements have been made to ensure that none of his successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his equity interest in the relevant PRC Operating Entity upon his death, incapacity, divorce or any other circumstances that may affect Mr. Fu’s or Mr. Fu Yanchang’s ability to exercise his shareholder’s rights in such PRC Operating Entity will carry out any act that may affect or hinder the fulfillment of Mr. Fu’s or Mr. Fu Yanchang’s obligations thereunder. In addition, each of the spouses of Mr. Fu and Mr. Fu Yanchang has also provided a written confirmation confirming that she will execute any necessary document and take any necessary measure to ensure the proper performance of the New Agreements to which the relevant Registered Shareholder is a party, as may be amended from time to time.

Operations in Compliance with the Contractual Arrangements

Our Group will adopt the following measures to ensure legal and regulatory compliance of the Contractual Arrangements:

- (a) as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements with our PRC Operating Entities will be regularly reviewed, at least on an annual basis, by the Board upon Listing. Our Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements;
- (b) our independent non-executive Directors will review the implementation and compliance of the Contractual Arrangements;
- (c) Mr. Fu and Mr. Fu Yanchang, being the Registered Shareholders, will abstain from voting in any shareholders meeting approving any contract involving a conflict of interest relating to the Contractual Arrangements;
- (d) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at regular meetings by our Board no less frequently than on a quarterly basis;

CONTRACTUAL ARRANGEMENTS

- (e) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of our Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters;
- (f) the company seals and crucial corporate certificates of our PRC Operating Entities are kept by our Group's administrative department and the contract seals are kept by the legal department, respectively. Any employee of our Group who wishes to use the seals will have to obtain internal approval from the business, finance and legal departments of the Group, as well as approval from the chief executive officer or chief financial officer of our Company, depending on the importance or transaction value of the document to which the seal/seals will be affixed. The administrative, business, finance and legal departments constitute our Group's central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of the WFOEs; and
- (g) we will unwind the Contractual Arrangements as soon as the law allows the business to be operated without them.

Effect and Legality of the Contractual Arrangements

We believe that the Contractual Arrangements provide a mechanism that enables us to exercise effective control over the PRC Operating Entities and to protect and safeguard the interest of our Company and our minority Shareholders in the event of any dispute between us and the Registered Shareholders.

Under the Voting Rights Proxy Agreements, each Registered Shareholder has irrevocably granted the person designated by the relevant WFOE as his attorney-in-fact, the power to, among others, (a) exercise the voting rights, on behalf of the Registered Shareholder, and adopt and execute resolutions, on matters to be discussed and resolved at shareholder meetings, including without limitation to, the appointment and election of directors of the PRC Operating Entity or any senior management that should be appointed and dismissed by the shareholders, (b) exercise other voting rights of shareholders under the articles of association of the PRC Operating Entity (including any amendment thereto), (c) submit any required document to any relevant company registry or other authorities in the capacity of a proxy of each Registered Shareholder, and (d) enter into or sign, on behalf of the Registered Shareholder, any equity transfer agreement or other related documents, and process any governmental approvals, registration, filing or other procedures to effect the equity transfer under the Exclusive Call Option Agreement.

In addition, under the Exclusive Call Option Agreements, (i) each Registered Shareholder irrevocably grants the relevant WFOE an exclusive and unconditional option to purchase their equity interests in the relevant PRC Operating Entity to the extent permitted under PRC law, at a purchase price equal to the higher of the capital contribution paid to the registered capital

CONTRACTUAL ARRANGEMENTS

by the respective Registered Shareholder for such interests or the lowest price permitted under PRC law, and (ii) the PRC Operating Entity irrevocably grants the WFOE an exclusive and unconditional option to purchase all or part of its assets to the extent permitted under PRC law at a purchase price equal to the higher of the net book value of such assets or the lowest price permitted under PRC law.

These provisions provide the relevant WFOE with the powers to determine or change the composition of the relevant PRC Operating Entity's board of directors and management team at any time, which in turn provides the WFOE with the power to control the PRC Operating Entity without the need for any further action or cooperation of the Registered Shareholders. These provisions also enable the relevant WFOE to unilaterally appoint nominee shareholders of its choice to take over the equity interest in the relevant PRC Operating Entity at any time.

Furthermore, under the Equity Pledge Agreement, the Registered Shareholders have pledged their respective equity interest in each PRC Operating Entity to the relevant WFOE. The pledges with respect to the equity interests in each of the PRC Operating Entities to secure performance of the Registered Shareholders under the Loan Agreements have been registered with the local counterparts of SAIC. The registered pledges effectively prevent the Registered Shareholders from impeding the relevant WFOE's control over the relevant PRC Operating Entities by transferring their equity interest in the PRC Operating Entities to bona fide third parties without the WFOE's knowledge or approval.

Our PRC Legal Advisor is of the opinion that except for dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration, (i) the New Agreements, taken individually and collectively, are legal and valid under applicable PRC laws and regulations, including without limitation, the PRC Contract Law and the General Principles of Civil Laws, (ii) the New Agreements are legally binding on the parties to the New Agreements in accordance with their terms and provisions under applicable PRC laws and regulations, and (iii) each of the New Agreements entered into by the Group does not fall within any of the circumstances under Article 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid. In particular they will not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements.

On September 28, 2009, the GAPP, the NAC and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) jointly published the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (關於貫徹

CONTRACTUAL ARRANGEMENTS

落實國務院《“三定”規定》和中央編辦有關解釋, 進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知), or the GAPP Notice. The GAPP Notice prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. As no detailed interpretation of the GAPP Notice has been issued to date, it is not clear how the GAPP Notice will be implemented. Furthermore, as some other primary government regulators, such as the MOFCOM, the MOC and the MIIT, did not join the GAPP in issuing the GAPP Notice, the scope of the implementation and enforcement of the GAPP Notice remains uncertain. According to the Regulations on the Main Functions, Internal Organization and Staffing of GAPP (國家新聞出版總局(國家版權局)主要職責內設機構和人員編製規定) issued by the General Office of the State Council on July 11, 2008 and its interpretation circulars, the GAPP is authorized to approve online games before their launch on the Internet, while the MOC is authorized to administer and regulate the overall online game industry. The Joint Sponsors and our PRC Legal Advisor have consulted the following governmental authorities in December 2013: (i) the Head of the Enforcement and Supervision Department and the Deputy Head of the Industry Department of the Zhejiang Provincial Department of Culture (浙江省文化廳文化市場綜合執法指導監督處和市場處), and the Deputy Head of the Department of Information Technology and Data Publishing of the General Administration of Press and Publication of Zhejiang Province (浙江省新聞出版局科技與數字出版處) (currently known as the Administration of Press, Publication, Radio, Film and Television of Zhejiang Province (浙江省新聞出版廣電局)) (the local counterpart of GAPP in Zhejiang Province), who confirmed that arrangements similar to the Contractual Arrangements do not violate existing PRC laws and regulations; and (ii) the Head and Deputy Head of the Department of Internet Security of Zhejiang Communications Administration (浙江省通信管理局網絡與信息安全處), who confirmed that the MIIT does not have any detailed regulations applicable to arrangements similar to the Contractual Arrangements. The aforesaid authorities are the local competent counterparts of the MOC, GAPP and MIIT respectively, in Zhejiang Province, which are empowered with powers of interpreting and implementing relevant national laws and regulations issued by the MOC, GAPP and MIIT respectively. Also, the aforesaid specific departments whose heads or deputy heads the Joint Sponsors and our PRC Legal Advisor consulted with are in charge of the daily supervision and administration of operation of the entities in the online game industry in Zhejiang Province. Based on the result of consultation with the foresaid authorities, in particular with the local counterpart of GAPP, our PRC Legal Advisor is of the opinion that except for dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration, the New Agreements, taken individually and collectively, are valid and legally binding on the relevant parties to them, and will not be invalidated because of the GAPP Notice. We therefore do not believe that the GAPP would take actions against our Contractual Arrangements with our PRC Operating Entities to the effect of invalidating our Contractual Arrangements based solely on the GAPP Notice.

In light of the recent PRC Supreme Court decision and the two arbitration decisions as discussed under “Risk Factors – Risks related to our Contractual Arrangements – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws” and “– If the PRC

CONTRACTUAL ARRANGEMENTS

government finds that the agreements that establish the structure for operating our Principal Business in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and relinquishment of our interest in our PRC Operating Entities” in this prospectus. Our PRC Legal Advisor has advised us that:

- (i) the Contractual Arrangements are distinguishable from the facts in the PRC Supreme Court ruling, as reported, because:
 - (a) it is reported that the entrustment agreement under the reported PRC Supreme Court decision expressly provided that the Hong Kong company authorized the domestic company to hold the subscribed shares of the PRC bank on behalf of the Hong Kong company; however, there is no such provision in any VIE agreement underlying a typical VIE structure, which typically provide that the registered shareholders authorize a designated third party of the WFOE to act on his behalf and to exercise all rights associated with the equity interests held by the registered shareholders, such as the voting rights;
 - (b) pursuant to public available information, the Hong Kong company expects to receive economic benefits in the form of loan interest from the entrusted investment arrangement, but under a typical VIE structure, the loan agreement is normally used to provide funding for the registered shareholders’ investment in the domestic company, and the WFOE will receive the economic benefits from the domestic company through provision of various services to the domestic company, which is not prohibited under the PRC laws. It is also worth noting that the signing party to the agreements in question was the Hong Kong Company, an offshore entity, whereas in a typical VIE structure, a WFOE is set up in the PRC to sign the various service agreements with the PRC operating entities. A WFOE is a PRC entity duly authorized by the PRC governmental authorities to carry out business activities in China in accordance with its approved business scope, whereas as an offshore entity, the HK Company’s ability to conduct business in China is limited and subject to more approval requirements. For example, under a typical VIE arrangement, the WFOE is entitled to the fees for the services it provides to the PRC operating entities and the services provided are within its business scope approved by relevant PRC governmental authorities. It remains unknown based on the publicly available information whether the arrangement in the Supreme Court case, through which the Hong Kong Company expected to receive return for its entrusted investment in the form of loan interests, had satisfied the required foreign exchange approval or registration procedures, including the procedures for foreign currency loans.
- (ii) the PRC Supreme Court ruling may not be considered as authority in deciding other similar cases as it is not a guiding case (指導性案例) published by the PRC Supreme Court which all lower level people’s courts throughout China should use as guidance; and

CONTRACTUAL ARRANGEMENTS

- (iii) the arbitration decisions, as reported, shall only be binding upon parties in dispute and shall not be taken as authority in deciding other cases due to the private and confidentiality nature of the arbitrations.

Consolidation of Financial Results of the PRC Operating Entities

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Our Company considers that although our Group does not have any equity interest in the PRC Operating Entities, pursuant to the terms of the Contractual Agreements, the PRC Operating Entities are controlled by the relevant WOFE notwithstanding its lack of equity ownership, and are regarded as indirect subsidiaries of our Company under IFRS. As a result, the Group has included the financial results, assets and liabilities of the PRC Operating Entities in the consolidated financial statements.

The Accountant's Report set out in Appendix I to this prospectus has been prepared in accordance with IFRS. Please refer to Appendix I for more details about the inclusion of the financial position and results of the PRC Operating Entities in our Group's consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors.

| Name | Age | Position | Date of Joining our Group | Date of Appointment | Key Role |
|---|-----|--|---------------------------------|------------------------|---|
| Mr. Fu Zhengjun (傅政軍) | 36 | Chairman of the Board, Executive Director and chief executive officer | July 28, 2008 | July 28, 2008 | Overseeing the overall strategic, planning management and operations of our Group |
| Mr. Mai Shi'en (麥世恩) | 38 | Executive Director and chief operating officer | August 1, 2012 | March 5, 2014 | Overseeing the overall operation of our Group and mergers and acquisitions |
| Mr. Mao Chengyu (毛丞宇) | 43 | Non-executive Director | December 30, 2008 | December 30, 2008 | Overseeing our management and strategic development |
| Mr. Herman Cheng-Chun, Yu (余正鈞) | 43 | Non-executive Director | March 5, 2014 | March 5, 2014 | Overseeing our management and strategic development |
| Ms. Yu Bin (余濱) | 44 | Independent non-executive Director | June 16, 2014 | June 16, 2014 | Supervising and providing independent judgment to our Board |
| Mr. Wu Chak Man (胡澤民) | 42 | Independent non-executive Director | June 16, 2014 | June 16, 2014 | Supervising and providing independent judgment to our Board |
| Mr. Chan Wing Yuen Hubert (陳永源) | 56 | Independent non-executive Director | June 16, 2014 | June 16, 2014 | Supervising and providing independent judgment to our Board |

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Fu Zhengjun (傅政軍), aged 36, is our Chairman and has been a Director of our Board since July 28, 2008. He was designated to our Board as an executive Director on March 11, 2014. Mr. Fu is the founder of our Group and has served as the chief executive officer of all our WFOEs and PRC Operating Entities since their respective incorporation. He is responsible for the overall strategic planning, management and operations of our Group, and is instrumental to our growth and business expansion. Mr. Fu has approximately 13 years of experience in the Internet industry. Prior to founding our Group, Mr. Fu was the chief technology officer of Tiantu Information Technology (Shanghai) Co., Ltd. (天圖信息技術(上海)有限公司), a company mainly engaging in the development of Internet advertising technology, from August 2000 to September 2004, where he was responsible for products research and development. From August 1999 to August 2000, Mr. Fu served as an engineer at Zhejiang Data Communications Administration Bureau (浙江省數據通訊局), (formerly known as Zhejiang Communications Administration Bureau (浙江省通訊管理局)), where he was responsible for project management and implementation.

Mr. Fu received a bachelor's degree in computer science application from Zhejiang University of Technology (浙江工業大學) in Hangzhou in July 1999.

Mr. Mai Shi'en (麥世恩), aged 38, was appointed as a Director of our Board on March 5, 2014 and designated as an executive Director on March 11, 2014. He has been the chief operating officer of our Group since April 22, 2014 and is responsible for the overall operation of our Group and mergers and acquisitions, as well as our Group's strategy planning and implementation. Before that, he had been the chief financial officer of our Group since August 2012. He oversaw the corporate finance, investor relations and financial management of our Group. Also, he has served as a director of Tianhu since August 29, 2013 and oversees its management and strategic development. Mr. Mai possesses extensive knowledge of the Internet industry and financial management. Prior to joining our Group, Mr. Mai was an executive director and the chief financial officer of Shanghai Nineyou Internet Technology Co. Ltd. (上海久遊網絡科技有限公司), an online games and interactive online platform operator in China, where he worked from September 2005 to July 2012 and was responsible for the company's overall financial planning, internal auditing and investment. From September 2003 to September 2005, Mr. Mai worked at Praxair (China) Investment Co., Ltd. (普萊克斯(中國)投資有限公司), responsible for financial related matters. In addition, from August 1998 to July 2003, Mr. Mai worked in the auditing departments of several top global accounting firms including Ernst & Young, Arthur Anderson and KPMG.

Mr. Mai graduated from Shanghai Jiaotong University (上海交通大學) in Shanghai in July 1998, where he received a bachelor's degree in international finance. He is a Certified Internal Auditor (CIA) admitted by China Institute of Internal Audit (中國內部審計協會) in November 2004 and a Chinese Institute of Certified Public Accountant (CICPA) admitted by Shanghai Certified Public Accountant Association (上海市註冊會計師協會) in December 2009.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Mao Chengyu (毛丞宇), aged 43, was appointed to our Board on December 30, 2008, as a director representative of Series B Pre-IPO Investors. He was designated to our Board as a non-executive Director on March 11, 2014. Mr. Mao serves as a partner of IDG Capital Partners, a venture capital fund principally engaged in investing in technology start-up companies with PRC-related businesses, since July 1, 2012 and is responsible for the equity investment. Mr. Mao was a partner of the Shanghai Branch of IDG Investment Consulting (Beijing) Co., Ltd. (IDG資本投資顧問(北京)有限公司上海分公司) (formerly known as Shanghai Pacific Technology Co., Ltd. (上海太平洋技術創業有限公司)) (“**IDG Shanghai Branch**”) from July 2006 to June 2012 and was an investment manager and vice president of IDG Shanghai Branch from December 1999 to June 2006, where he was responsible for identifying and analyzing investment opportunities. Prior to entering the venture capital industry, Mr. Mao was a business manager at Unilever (China) Co., Ltd. (聯合利華中國有限公司), one of the world’s largest food and personal care products manufacturers, from April 1999 to November 1999.

Mr. Mao obtained a bachelor’s degree in industrial foreign trade from Shanghai Jiaotong University (上海交通大學) in July 1993 and a master of business administration degree in May 1999 from China Europe International Business School (中歐國際工商學院) in Shanghai.

Mr. Herman Cheng-Chun, Yu (余正鈞), aged 43, was appointed to our Board on March 5, 2014, as a director representative of SINA HK. He was designated to our Board as a non-executive Director on March 11, 2014. Mr. Yu has been the chief financial officer of Sina Corporation since August 2007. He served as a director of Mecox Lane Limited from March 2011 to June 2014, a company listed on NASDAQ Global Market. He was the acting chief financial officer of Sina Corporation from May 2006 to August 2007 and the vice president and corporate controller from September 2004 to May 2006. He oversees the corporate finance, investor relations and financial management of Sina Corporation. Prior to joining Sina Corporation, Mr. Yu held various positions in technologies companies. Mr. Yu has served as a director of 58.com Inc., a NYSE-listed online marketplace company since October 2013.

Mr. Yu obtained a bachelor’s degree in economics from the University of California in the United States in June 1992 and a masters degree in Accounting from the University of Southern California in the United States in May 1993. He is a California Certified Public Accountant admitted by the California Board of Accountancy in September 1995.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Ms. Yu Bin (余濱), aged 44, was appointed to our Board as an independent non-executive Director on June 16, 2014. She has been a director and the chief financial officer of Star Media China Limited (星空華文傳媒集團), a company engaging in entertainment TV programs business, since December 2013 and May 2013 respectively, where she is responsible for the corporate finance, legal, investor relations and financial management. From August 2012 to April 2013, she was the senior vice president of Youku Tudou Inc. (優酷土豆集團), a NYSE-listed China's leading Internet television company and was in charge of the company's investment in content production, merger and acquisition and the strategic investment. From July 2010 to December 2011 and from January 2012 to April 2013, she served as the chief financial officer and the vice president of finance of Tudou Holdings Limited (“**Tudou**”), respectively a company engaging in Internet television business, and oversaw the management of the company's finance, legal, public relationship and investor relationship departments. Prior to joining Tudou, from September 1999 to July 2010, she worked at KPMG and eventually was promoted to a senior manager of KPMG Greater China region, where she was responsible for financial statements auditing and China based private entities' overseas listing.

Ms. Yu obtained a bachelor's degree in English Literature from Xi'an Foreign Language University (西安外國語大學) in Xi'an in July 1992, a master's degree in accounting and education from the University of Toledo in the United States in May 1998 and August 1998, respectively and an EMBA degree from INSEAD in January 2013. She is a Certified Public Accountant in the United States admitted by the Accountancy Board of Ohio in December 2001, a member of American Institute of Certified Public Accountants (“**AICPA**”) admitted by AICPA and a member of Chartered Global Management Accountant (“**CGMA**”) admitted by CGMA in December 2013.

Mr. Wu, Chak Man (胡澤民), aged 42, was appointed to our Board as an independent non-executive Director on June 16, 2014. He was the executive director of 91 Wireless Websoft Limited (now known as Baidu 91 Wireless), a company engaging in the development and operation of smartphone application distribution platforms from January 2011 to June 2014 and was responsible for the overall management and strategic planning of the company. Before that, he had been the vice president and chief finance officer of NetDragon Websoft Limited (“**NetDragon**”), a HK-listed company engaging in the online games and mobile Internet business, since April, 2004. Mr. Wu was in charge of NetDragon's sales and marketing, North American business, the expansion of overseas market, financing and mergers and acquisitions as well as its listing business. From 2000 to 2002, Mr. Wu was the chief operating officer of Octant Communication Inc., a taxi service company and in charge of corporate operation. During 1995 to 1999, Mr. Wu served as the vice president, in charge of marketing, in Beso Biological Research Inc., a company engaging in health food and nutrition supplement business.

Mr. Wu received a bachelor's degree in economics from the University of California, Berkeley in the United States in August 1994 and a master's degree in business administration from Duke University in the United States in May 2004.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan, Wing Yuen Hubert (陳永源), aged 56, was appointed to our Board as the independent non-executive Director on June 16, 2014. He has been an executive director and the chief executive of Zhong Fa Zhan Holdings Limited (中發展控股有限公司) (stock code: 475), a HK-listed company engaging in the design, manufacturing and wholesale of fine jewelry products in China, since November 2011 and is responsible for the company's business policy formulation and execution. He worked with the Stock Exchange from February 1987 to August 1997 as a director of the listing division and head of China affair department, where his work covered three areas, namely, corporate finance, news dissemination and mainland China related-matters. In addition, Mr. Chan held various positions with HK listed companies, including: as an executive director of China Pipe Group Limited (中國管業集團有限公司) (stock code: 380) from June 2007 to February 2009, as a director and the then executive director and the chief executive officer of Interchina Holdings Company Limited (國中控股有限公司) (stock code: 202) from March 2002 to June 2009, as an independent non-executive director of Rising Development Holdings Limited (麗盛集團控股有限公司) (stock code: 1004) from September 1999 to September 2007, and as a director and deputy general manager of Guangdong Investment Limited (粵海投資有限公司) (stock code: 270) from August 1997 to January 2000.

Mr. Chan obtained a higher diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in May 1982. Mr. Chan has been an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries since February 1986 and August 1994, respectively and also been a member of the Hong Kong Securities Institute since April 1999. In addition, he has been a member of the Chinese People's Political Consultative Conference – Heilongjiang Province Committee (中國人民政治協商會議黑龍江省委員會) since January 2008.

We have entered into service agreements with each of our executive Directors and have issued letters of appointment to each of our non-executive Directors and our independent non-executive Directors. Each of the service agreements and letters of appointment with our Directors is for three years which will take effect upon the Listing.

Save as disclosed herein and their respective interests or short positions (if any) as set out in the section headed "Statutory and General Information – C. Further Information about Directors and Substantial Shareholders" in Appendix IV to this prospectus, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that need to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following table sets forth certain information concerning our senior management team in addition to the executive Directors listed above.

| Name | Age | Position in the Company | Date of Joining our Group | Date of Appointment | Key Role |
|--|-----|--|---------------------------|---------------------|---|
| Mr. Cheng Po-Jen (鄭博仁) | 37 | Senior vice president of corporate development for our Group | December 31, 2008 | December 31, 2008 | Planning and development of overseas business and investment opportunities |
| Mr. Keung Paul Hinsum (姜顯森) | 43 | Chief financial officer of our Company | April 22, 2014 | April 22, 2014 | Overseeing corporate planning accounting, investor relations, legal and financial management of our Group |
| Mr. Zhou Yuqing (周渝清) | 37 | Technology vice president of our Group | January 1, 2009 | December 16, 2010 | Overseeing product research and development and management of product and IT departments |
| Mr. Zhao Weiwen (趙偉文) | 47 | General manager of Zhejiang Tiange | April 7, 2010 | April 7, 2010 | Overseeing the daily management and operation of Zhejiang Tiange |
| Mr. Yan Xiang (閔祥). | 35 | Deputy general manager and executive director of Star Power | May 10, 2011 | September 23, 2013 | Overseeing our Group's products development in Beijing and the overall daily management and operation of Star Power |

Mr. Cheng Po-Jen (鄭博仁), aged 37, has been the senior vice president of corporate development for our Group since December 2008 and is responsible for the planning and development of our Group's overseas business, and assisting our Board in the identification and evaluation of acquisition and strategic investment opportunities. He is also a founder and has been the managing partner of Cherubic Ventures, an early stage venture capital firm, since 2010, where he is responsible for the fund's overall management and investment. Before that, Mr. Cheng was the chief representative of C Squared Venture Capital, an IT venture capital firm, in China from June 2004 to June 2009 and responsible for managing the fund's investments in China.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng obtained a bachelor's degree in science and information management from the National Taiwan University (國立台灣大學) in Taiwan in September 1999.

Mr. Keung Paul Hinsum (姜顯森), aged 43, was appointed as the chief financial officer of our Company on April 22, 2014. He oversees corporate planning, accounting, investor relations, legal and financial management of our Group. Prior to joining us and since February 2011, Mr. Keung was the chief financial officer and executive vice president of investments of Taomee Holdings Limited (“**Taomee**”), a NYSE-listed online entertainment company, where he was responsible for the company's overall financial management, strategy, and investments. Before that and since January 2009, Mr. Keung had been a managing director of Oppenheimer Investments Asia, a division of Oppenheimer Holdings and a NYSE-listed investment bank and asset management firm, overseeing the firm's Asia research practice. Between May 2000 and January 2009, Mr. Keung was the executive director of CIBC World Markets, a division of Canadian Imperial Bank of Commerce, a NYSE-listed bank, where for the majority of his time, he was responsible for coverage of the Internet, media and entertainment sectors in the U.S. and China. From May 1998 to May 2000, Mr. Keung was the chief information officer of Wyndham International, a global hospitality company, where he was responsible for investor relations and the information technology. Between June 1994 and May 1998, he served in various investment banking and equity research roles at Deutsche Morgan Grenfell, PaineWebber Securities, and Salomon Brothers. Mr. Keung currently serves as an independent director and audit committee chairman of Jiayuan.com International Ltd., a NASDAQ-listed company engaged in online dating business and the director of Taiwan Taomee Co., Ltd. a Taiwan-listed online entertainment company. From July 2010 to February 2013, Mr. Keung served as an independent non-executive director of Sustainable Forest Holdings Limited (永保林業控股有限公司) (stock code: 723), a forest management company listed on the Stock Exchange.

Mr. Keung obtained his bachelor's degree in hotel administration from Cornell University in the United States in May 1992 and his master's degree in real estate from New York University in the United States in May 1999.

Mr. Zhou Yuqing (周渝清), aged 37, is the technology vice president of our Group. He joined our Group in January 2009 and oversees product research and development, and manages the product department and IT department of our Group. Prior to joining our Group, Mr. Zhou had worked at Hangzhou Week8 E-Commerce Co., Ltd. (杭州星期八電子商務有限公司), an e-commerce company since August 2003 as its research and development director, where he was responsible for the development of P2P software downloading. From August 2002 to July 2003, Mr. Zhou was employed as a software engineer by Xingji (Hangzhou) Network Technology Co., Ltd. (星際(杭州)網絡技術有限公司), a customer relationship management (“**CRM**”) software development company, where he was involved in the research and development of CRM software.

Mr. Zhou obtained a bachelor's degree in electrical engineering and automation from the Zhejiang University of Technology (浙江工業大學) in Hangzhou in July 2002.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhao Weiben (趙偉文), aged 47, has been the general manager of Zhejiang Tiange since April 2010 and is responsible for the daily management of Zhejiang Tiange, including administration, HR, IT, finance, customer services, and Internet supervision. He has also served as a director of Tianhu since August 29, 2013 and is in charge of its daily management and development. He has approximately 15 years of experience in the telecommunications industry, gained from his employment at China Telecom's Jinhua branch (中國電信金華分公司) from August 1995 to March 2010, where he was involved in building Internet network infrastructures and related projects.

Mr. Zhao obtained a diploma in project management from the People's Liberation Army Information Engineering College (解放軍信息工程學院) in Zhengzhou in July 1994.

Mr. Yan Xiang (閔祥), aged 35, has been the deputy general manager and the executive director of Star Power since May 2013 and September 2013, respectively. He is responsible for our Group's products development in Beijing as well as the overall daily management and operations of Star Power. He has also been the responsible person of the Beijing Branches of Hantang and Xingxiu and in charge of the daily management since May 2011 and August 2013, respectively. Prior to joining our Group, Mr. Yan worked at Sina Technology (China) Co., Ltd. (新浪技術(中國)有限公司) ("Sina Technology") from July 2004 to May 2011. At Sina Technology, Mr. Yan was involved in, among others, unified communication system, interactive music video platforms and advertising products, taking different roles in strategy, development, operation and marketing.

Mr. Yan graduated from Sun Yat-Sen University (中山大學) in Guangzhou with a bachelor's degree in computer software in June 2001.

JOINT COMPANY SECRETARIES

Mr. Chen Shi and Ms. Ng, Sau Mei are our joint company secretaries.

Mr. Chen Shi (陳適) is the legal vice president of our Group and responsible for the overall legal matters of our Group. Mr. Chen joined our Group in June 2013 and was appointed as our joint company secretary on March 11, 2014. Mr. Chen has close to ten years of experience in advising technology companies in the PRC on legal issues. Prior to joining our Group, Mr. Chen worked in the legal department of two companies in Alibaba Group, a company engaging in the Internet-based e-commerce businesses. He was a legal specialist at Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) from June 2011 to May 2013 and a legal counsel at Beijing Alibaba Information Technology Co., Ltd. (北京阿里巴巴信息技術有限公司) from April 2009 to May 2011. From March 2005 to March 2009, Mr. Chen was employed by NETEASE Information Technology (Beijing) Co., Ltd. (網之易信息技術(北京)有限公司), which is a subsidiary of a NASDAQ-listed online game company of NETEASE Inc., as a legal counsel.

Mr. Chen graduated from the China University of Political Science and Law (中國政法大學) in Beijing with a bachelor's degree in law in July 2005 and obtained a PRC Legal Professional Qualification Certificate (中國法律職業資格證書) awarded by the Ministry of Justice of the PRC in February 2007.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Ng, Sau Mei (伍秀薇) is another joint company secretary of our Company and was appointed on March 11, 2014. She is a manager of KCS Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. She has over 13 years of experience in the company secretarial field. She has worked for various sizable and reputable HK-listed companies. Ms. Ng has extensive knowledge and experience in dealing with corporate governance, regulatory and compliance affairs of listed companies such as corporate acquisitions and disposals and restructurings etc. She also specializes in handling and coordinating very substantial acquisition, major transaction and connected transaction exercises. As at the date of this prospectus, Ms. Ng does not hold any company secretary position in other listed companies.

Ms. Ng obtained a bachelor's degree in laws from City University of Hong Kong in November 2001 and was qualified as an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom in September 2007.

Save as disclosed herein, no Directors or members of the senior management held any directorship positions in any other listed companies within the three years immediately preceding the date of this prospectus.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, being Ms. Yu Bin (余濱), Mr. Chan, Wing Yuen Hubert (陳永源) and Mr. Wu, Chak Man (胡澤民). Ms. Yu Bin (余濱) has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of two independent non-executive Directors, being Mr. Wu, Chak Man (胡澤民) and Mr. Chan, Wing Yuen Hubert (陳永源) and one non-executive Director, being Mr. Mao Chengyu (毛丞宇). Mr. Wu, Chak Man (胡澤民), our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of two independent non-executive Directors, being Ms. Yu Bin (余濱) and Mr. Wu, Chak Man (胡澤民) and one executive Director, being Mr. Fu. Mr. Fu has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Fu is our Chairman and chief executive officer. With extensive experience in the Internet industry, Mr. Fu is responsible for the overall strategic planning, management and operation of our Group and is instrumental to our growth and business expansion since our establishment in 2008. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-calibre individuals. Our Board currently comprises two executive Directors (including Mr. Fu), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Management presence

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver in relation to Management Presence in Hong Kong”.

Qualification of one of our Joint Company Secretaries

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver under and in respect of Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the requirement on the qualifications of one of our joint company secretaries, Mr. Chen Shi. For details of the waiver, please see the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver in relation to Joint Company Secretaries”.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed REORIENT Financial Markets Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) incurred for our Directors for the years ended December 31, 2011, 2012 and 2013 was approximately RMB1.7 million, RMB1.1 million and RMB0.9 million, respectively. Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended December 31, 2011, 2012 and 2013.

The aggregate amount of fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind incurred for our five highest paid individuals in respect of the years ended December 31, 2011, 2012 and 2013 was approximately RMB0.6 million, RMB0.7 million and RMB0.8 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2011, 2012 and 2013. Further, none of our Directors had waived or agreed to waive any remuneration during the same period.

DIRECTORS AND SENIOR MANAGEMENT

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending December 31, 2014 is estimated to be approximately RMB2.0 million in aggregate.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

EMPLOYEE INCENTIVE SCHEMES

The Company has adopted the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme, the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme (the “Schemes”). The purpose of the Schemes is to reward the participants defined under the Schemes for their past contribution to the success of our Group and to provide incentives to them to further contribute to our Group. For details, please refer to the section head “Statutory and General Information – D. Share Incentive Schemes.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, save as disclosed in the table below and in the section headed “History, Reorganization and Corporate Structure – Our Shareholding and Group Structure”, immediately following completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options or Post-IPO Share Options and any Shares to be issued pursuant to the Post-IPO RSU Scheme), the following persons are expected to have interests and/or short positions in the Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

| Substantial Shareholder | Name of Company | Capacity/ Nature of Interest | Total number of Shares/ underlying shares of our Company as at the date of this prospectus | Approximate percentage of interest in our Company as at the date of this prospectus | Total number of Shares/ underlying shares of our Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised) | Approximate percentage of interest in our Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised) | Total number of Shares/ underlying shares of our Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is fully exercised) | Approximate percentage of interest in our Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over- allotment Option is fully exercised) |
|--|-----------------|--|---|---|--|--|--|---|
| UBS Trustees (BVI) Limited ⁽¹⁾ | Our Company | Trustee | 30,600,000 | 37.25% | 306,000,000 | 25.14% | 306,000,000 | 24.23% |
| Three-Body Holdings Ltd ⁽¹⁾ | Our Company | Trust holding company | 30,600,000 | 37.25% | 306,000,000 | 25.14% | 306,000,000 | 24.23% |
| Blueberry Worldwide Holdings Limited ⁽¹⁾ | Our Company | Beneficial owner | 30,600,000 | 37.25% | 306,000,000 | 25.14% | 306,000,000 | 24.23% |
| Mr. Fu ⁽¹⁾⁽²⁾ | Our Company | Founder of a discretionary trust | 30,600,000 | 37.25% | 306,000,000 | 25.14% | 306,000,000 | 24.23% |
| SINA HK | Our Company | Beneficial owner | 30,000,000 | 32.87% | 300,000,000 | 24.65% | 300,000,000 | 23.76% |
| IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. ⁽³⁾ | Our Company | Beneficial owner | 20,000,000 | 21.91% | 200,000,000 | 16.43% | 200,000,000 | 15.84% |
| Pre-IPO RSU Trustee ⁽⁴⁾ | Our Company | Trustee | 7,280,000 | 7.98% | 72,800,000 | 5.98% | 72,800,000 | 5.77% |
| Tangguo Limited ⁽⁴⁾ | Our Company | Nominee for another person | 7,280,000 | 7.98% | 72,800,000 | 5.98% | 72,800,000 | 5.77% |

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) UBS Trustees (BVI) Limited, the trustee of Mr. Fu's Trust, holds the entire issued share capital of Three-Body Holdings Ltd through its nominee, UBS Nominee Limited. Three-Body Holdings Ltd holds the entire issued share capital of Blueberry Worldwide Holdings Limited. Blueberry Worldwide Holdings Limited in turn holds 30,600,000 Shares in our Company. Mr. Fu's Trust is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (BVI) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 30,600,000 Shares held by Blueberry Worldwide Holdings Limited. Following the Capitalization Issue, Blueberry Worldwide Holdings Limited will be interested in 306,000,000 Shares.
- (2) Mr. Fu was granted 1,000,000 Pre-IPO RSUs on May 22, 2014, entitling him to receive 1,000,000 Shares subject to vesting. Following the Capitalization Issue, Mr. Fu will be interested in 10,000,000 Shares. Ms. Hong Yan, Mr. Fu's spouse, was granted 2,000,000 Pre-IPO RSUs on May 22, 2014, entitling her to receive 2,000,000 Shares. Following the Capitalization Issue, Ms. Hong Yan will be interested in 20,000,000 Shares. As such, Mr. Fu is deemed to be interested in the 20,000,000 Shares which are interested by Ms. Hong Yan under the SFO.
- (3) Assuming the Series B1 Preferred Shares and Series B2 Preferred Shares are converted into Shares of our Company on a one-for-one basis, IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. shall hold 184,880,000 Shares and 15,120,000 Shares, respectively, following the Capitalization Issue and the Global Offering.
- (4) The Pre-IPO RSU Trustee through its nominee, Tangguo Limited, holds 7,280,000 Shares underlying the RSUs granted under the Pre-IPO RSU Scheme for the benefit of eligible grantees pursuant to the Pre-IPO RSU Scheme. Following the Capitalization Issue, the Pre-IPO RSU Trustee will be interested in 72,800,000 Shares. Grantees of the Pre-IPO RSU Scheme include Mr. Fu and Ms. Hong Yan, who were granted 1,000,000 Pre-IPO RSUs and 2,000,000 Pre-IPO RSUs, respectively. Following the Capitalization Issue, Mr. Fu and Ms. Hong Yan will be interested in 10,000,000 Shares and 20,000,000 Shares, respectively and furthermore, Mr. Fu is deemed to be interested in the 20,000,000 Shares which are interested in by Ms. Hong Yan under the SFO.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Global Offering:

As of the date of this prospectus

| | US\$ | Approximate percentage of issued share capital |
|--|---------|---|
| Authorized Share Capital: | | |
| 2,980,000,000 ordinary shares of US\$0.0001 each | 298,000 | |
| 10,000,000 Series B1 Preferred Shares | 1,000 | |
| 10,000,000 Series B2 Preferred Shares | 1,000 | |
| Issued Share Capital: | | |
| 71,280,000 ordinary shares of US\$0.0001 each (including the Shares issued pursuant to the Pre-IPO RSU Scheme) | 7,128 | 78.09% |
| 10,000,000 Series B1 Preferred Shares and 10,000,000 Series B2 Preferred Shares of US\$0.0001 each | 2,000 | 21.91% |

Immediately After Completion of the Capitalization Issue and the Global Offering

| | US\$ | Approximate percentage of issued share capital |
|--|-----------|---|
| Authorized Share Capital: | | |
| 3,000,000,000 Shares of US\$0.0001 each | 300,000 | |
| Existing Issued Share Capital: | | |
| 91,280,000 ordinary shares of US\$0.0001 each (including the Shares allotted and issued upon conversion of the Series B1 Preferred Shares and Series B2 Preferred Shares) | 9,128 | 7.5% |
| Issue of Shares as Part of the Capitalization Issue | | |
| 821,520,000 Shares of US\$0.0001 each | 82,152 | 67.5% |
| Total Issued Shares on Completion of the Capitalization Issue | | |
| 912,800,000 Shares of US\$0.0001 each | 91,280 | 75.0% |
| Issue of Shares as Part of the Global Offering: | | |
| 304,267,000 Shares of US\$0.0001 each | 30,426.7 | 25.0% |
| Total Issued Shares on Completion of the Capitalization Issue and the Global Offering: | | |
| 1,217,067,000 Shares of US\$0.0001 each | 121,706.7 | 100% |

SHARE CAPITAL

ASSUMPTIONS

The above tables assume that the Global Offering and the Capitalized Issue becomes unconditional and Shares are issued pursuant to the Global Offering. It assumes the Over-allotment Option is not exercised and does not take into account any Shares to be issued upon the exercise of any Pre-IPO Share Options or Post-IPO Share Options and any Shares to be issued pursuant to the Post-IPO RSU Scheme, or any Shares which may be issued or repurchased by our Company pursuant to the general mandate granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all Shares (including all Series B Preferred Shares automatically converted into ordinary shares upon Listing) currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any options under the Share Option Scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our shareholders) with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option); and
- the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company's next annual general meeting is required by any applicable law or the Articles to be held; or
- it is varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate to allot, issue and deal with Shares are set out in the paragraph headed "Appendix IV – Statutory and General Information – A. Further Information about our Company – 5. Written Resolutions Passed by Our Shareholders" in this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Global Offering becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares to be listed on the Hong Kong Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme or the Shares which may be issued under the Post-IPO RSU Scheme).

This mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "A. Further Information about our Company – 6. Repurchase by Our Company of Our Own Securities" of the Statutory and General Information in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company's next annual general meeting is required by any applicable law or the Articles to be held; or
- it is varied or revoked by an ordinary resolution of our shareholders in general meeting;

whichever is the earliest.

Particulars of this general mandate to repurchase Shares are set out in the paragraph headed "Appendix IV – Statutory and General Information – A. Further Information about our Company – 5. Written Resolutions Passed by Our Shareholders" in this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For details, see the sub-section headed "Summary of the Constitution of the Company and Cayman Companies Law – 2. Articles of Association – Alteration of capital" in Appendix III to this prospectus.

SHARE CAPITAL

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see the sub-section headed “Summary of the Constitution of the Company and Cayman Companies Law – 2. Articles of Association – Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

SHARE INCENTIVE SCHEMES

Share Option Schemes

We have granted options under the Pre-IPO Share Option Scheme. Please refer to the section headed “Appendix IV – D. Share Incentive Schemes – 1. Pre-IPO Share Option Scheme” for details. We have also conditionally adopted the Post-IPO Share Option Scheme. Please refer to the section headed “Appendix IV – D. Share Incentive Schemes – 5. Post-IPO Share Option Scheme” for details.

RSU Schemes

We have granted RSUs under the Pre-IPO RSU Scheme. Please refer to the section headed “Appendix IV – D. Share Incentive Schemes – 2. Pre-IPO RSU Scheme” for details. We have also conditionally adopted the Post-IPO RSU Scheme. Please refer to the section headed “Appendix IV – D. Share Incentive Schemes – 4. Post-IPO RSU Scheme” for details.

FINANCIAL INFORMATION

The following discussion should be read in conjunction with our audited consolidated financial information, together with the accompanying notes, as set forth in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted principles in other jurisdictions, including the United States.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors which we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Factors that could cause or contribute to such differences include those disclosed in the section headed "Risk Factors."

OVERVIEW

We operate the largest live social video platform in China in terms of total user spending. According to iResearch, our market share of China's live social video community industry in terms of total user spending reached 33.9% in 2013, compared to 23.1% for our closest competitor in the same year. Our core business is the operation of our platform, which consists of eight "many-to-many" communities and one "one-to-many" community.

We have grown rapidly during the Track Record Period. Our revenue has increased from RMB384.4 million in 2011 to RMB455.8 million in 2012 and RMB548.2 million in 2013. We had net loss of RMB80.6 million, RMB27.2 million and RMB92.6 million in 2011, 2012 and 2013, respectively, and our adjusted net profit was RMB139.9 million, RMB158.4 million and RMB206.3 million during those same periods. Please refer to the section headed "Non-IFRS Measures" for details.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by several key factors, including the following:

General Development of Live Social Video Community Industry in China

Our core business has been the development and operation of live social video communities in China, which we expect to continue to be our principal revenue source. As a result, our results of operations will be affected by the development of China's live social video community industry, including the overall economic development, the increased penetration of Internet and mobile Internet and the changing regulatory environment.

FINANCIAL INFORMATION

Competition

We compete with other live social video platform operators and mobile and online game developers and operators, and may face competition from other, more established online platform operators should they decide to enter into our market. In addition, we face competition from various other online and offline entertainment choices available to our users. Our ability to successfully maintain and expand user interest and compete in the industry will significantly affect our results of operations.

Ability to Grow and Retain Active User Base

Our business depends on our ability to further grow our active user base, which in turn depends on the attractiveness of our live social video platform. Since the launch of 9158 Video Community, our first social video community, in 2008 and our taking over of Sina Show in 2010, we have accumulated approximately 208 million registered users as of December 31, 2013 and achieved over 630,000 peak concurrent users in the fourth quarter of 2013. Our platform's average MAUs has increased from approximately 7.5 million in 2011 to 8.0 million and 10.8 million in 2012 and 2013, respectively. During the same period, our average monthly number of hosts and users on air has increased from approximately 341,000 to 456,000 and 577,000, evidencing increasing user engagement and interaction. Our diverse selection of content and the ease of use of our platform have led to high user stickiness, as evidenced by the fact that in 2013, each active user spent an average of over twenty hours on our platform per month and 72% of our approximately 26,000 real-time video rooms as of December 31, 2013 have been active for over one year. The continued success of our existing online interactive video platforms, as well as the attractiveness of our new products and services, is critical to our business and results of operations.

Monetization of Our User Base

Our live social video platform is free to access, and we generate revenues primarily from the sales of virtual currency, which can be used to purchase virtual goods. As a result, our revenue is affected by our ability to convert non-paying users into paying users, which in turn depends on our ability to offer virtual goods and membership privileges popular with users. Our average MPUs increased from approximately 194,000 in 2011 to 270,000 in 2013. Our revenue from our live social video platform has increased from RMB370.5 million in 2011 to RMB437.1 million in 2012 and RMB528.4 million in 2013, respectively, with over 5.7 billion average monthly virtual gifts exchanged between users on our platform in 2013. Our ability to further improve monetization of our user base will significantly affect our revenue and profitability.

Expansion of Our Product Offerings

Our ability to expand our product offerings significantly affects our results of operations. We intend to expand our publishing of self-developed and third-party developed mobile games with interactive video functions to leverage our knowhow and expertise user base and ability to cross-promote our products. We plan to publish six to eight mobile games in 2014.

FINANCIAL INFORMATION

Additionally, we expect to improve our O2O services and expand into new markets such as e-commerce. As we have a short track record in these new business areas, our ability to attract user interest, expand an active user base and monetize such user base will have a significant impact on our results of operations and business prospects.

Expansion of Our Business into New Markets

We aim to further drive our platform and services' penetration in Chinese-language regions, by selectively partnering with, investing in or acquiring other companies. We will initially target companies with large user bases and similar interactive product offerings as us or those in our upstream and downstream markets. We believe these horizontal and vertical partnerships or acquisitions will significantly enhance the growth profile and competitive positioning of our live social video platform. We aim to leverage our strong technological capabilities and infrastructure, large and loyal user base and established social ecosystem to quickly achieve success in any newly entered markets and sectors. Our ability to leverage our brands to generate revenues in the new markets or through partnerships will have a significant impact on our results of operations and business prospects.

Relationships with Our Distributors

We primarily rely on our distributors and sales agents to promote and market our virtual goods and sales of our virtual currency. Our net revenues are net of the discounts that we offer to our distributors and sales agents. See the section headed "Business – Our Distribution Model". As a result, our relationships and the terms of our arrangements with our distributors, and in particular discounts we offer to distributors and sales agents, affect our net revenues and result of operations.

BASIS OF PRESENTATION

We primarily engage in the operation of our live social video platform, mobile and online games and other products and services (the "**Listing Business**"). The Listing Business was, is and will continue to be carried out by the PRC Operating Entities. The Listing Business was put under the effective control of Hangzhou Tiange and Zhejiang Tiange, and ultimately, our Company, through the Contractual Arrangements, pursuant to which, Hangzhou Tiange and Zhejiang Tiange are entitled to economic benefits generated by the PRC Operating Entities. Accordingly, the PRC Operating Entities have been subsidiaries of Hangzhou Tiange and Zhejiang Tiange and the consolidated financial statements of our Group have been prepared on a consolidated basis and are presented for the Track Record Period of the companies comprising our Group, including the PRC Operating Entities.

FINANCIAL INFORMATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

Basis of Preparation

The financial information of our Group has been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, available-for-sale financial assets, convertible redeemable preferred shares and redeemable ordinary shares.

The preparation of Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise their judgment in the process of applying our Group’s accounting policies.

Changes in Accounting Policy and Disclosures

The following new standards, amendments and interpretations to existing standards have been issued but are effective for the financial year beginning January 1, 2014 and have not been early adopted by our Group:

- Amendment to IAS 32 “Financial instruments: Presentation” on asset and liability offsetting, these amendments are to the application guidance in IAS 32, “Financial instruments: Presentation”, and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendments to IFRS 10, 12 and IAS 27 “Consolidation for investment entities”. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an “investment entity” definition and which display particular characteristics. Changes have also been made IFRS/HKFRS 12 to introduce disclosures that an investment entity needs to make.
- Amendment to IAS 36, “Impairment of assets” on recoverable amount disclosures, this amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement” – “Novation of derivatives”, this amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

FINANCIAL INFORMATION

- IFRIC 21 ‘Levies’, this is an interpretation of IAS 37, “Provisions, contingent liabilities and contingent assets”. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IFRS 9, “Financial instruments,” addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This new standard is effective for annual periods beginning on or after January 1, 2015.
- Amendments to IFRS 9 and IFRS 7, Mandatory Effective Date and Transition Disclosures, which amends the effective date of IFRS 9 “Financial Instruments” to annual periods beginning on or after January 1, 2015 and modifies the relief from restating comparative periods and the associated disclosures in IFRS 7 “Financial Instruments: Disclosures.”

We are in the process of making an assessment of the impact of the above standards, amendments to standards and interpretation on the financial statements of our Group in their initial applications.

Subsidiaries

Consolidation

Subsidiaries are all entities (including structured entities) over which we have control. We control an entity when we are exposed to, or have rights to, variable returns from its involvement with the entity and have the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to our Group. They are deconsolidated from the date that control ceases.

FINANCIAL INFORMATION

Subsidiaries Directly Held and Indirectly Held by Us

In August 2008, we established Week8 HK, our wholly-foreign owned subsidiary, under the laws of the Hong Kong, as an investment holding company.

In November 2008, Week8 HK established Hangzhou Tiange, a wholly-foreign owned subsidiary, under the laws of the PRC in Hangzhou, China.

In September 2009, Week8 HK established Zhejiang Tiange, a wholly-foreign owned subsidiary, under the laws of the PRC in Jinhua, China.

In November 2010, Week8 HK established Star Power, a wholly-foreign owned subsidiary of Week8 HK, under the laws of the PRC in Beijing, China.

Subsidiaries We Control through the Contractual Arrangements

The wholly-owned subsidiaries, Hangzhou Tiange and Zhejiang Tiange, entered into the Contractual Arrangements with the PRC Operating Entities and their respective Shareholders, which enable Hangzhou Tiange, Zhejiang Tiange and our Group to:

- exercise effective financial and operational control over the PRC Operating Entities;
- irrevocably exercise shareholders' voting rights of the PRC Operating Entities;
- receive substantially all of the economic returns generated by the PRC Operating Entities by way of business support, technical and consulting services provided by Hangzhou Tiange and Zhejiang Tiange;
- obtain an irrevocable and exclusive right to purchase the entire equity interest in the PRC Operating Entities from the respective shareholders; and
- obtain a pledge over the entire equity interest of the PRC Operating Entities from their respective shareholders as collateral for all accounts payable by the PRC Operating Entities to Hangzhou Tiange and Zhejiang Tiange and to secure performance of PRC Operating Entities' obligations under the Contractual Arrangements.

We do not have any equity interest in the PRC Operating Entities. However, as a result of the Contractual Arrangements, we have rights to variable returns from its involvement with the PRC Operating Entities and have the ability to affect those returns through our power over the PRC Operating Entities, and are considered to control the PRC Operating Entities. Consequently, we regard the PRC Operating Entities as the indirect subsidiaries under IFRS. We have included the financial position and results of the PRC Operating Entities in the consolidated financial statements during the Relevant Periods. Almost all of our revenues were derived from the PRC Operating Entities during the Track Record Period.

FINANCIAL INFORMATION

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of our Group's activities.

We recognize revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our Group's activities, as described below.

We are principally engaged in developing, technically supporting and operating our live social video platform and derive revenue from the sale of virtual currencies, which can be used to purchase virtual goods on our platform. In addition, we operate mobile and online games and offer advertising and other services (collectively referred to as "Others").

Live Social Video Platform

We primarily operate two major live social video communities, namely Sina Show (新浪秀), 9158 Video Community (9158視頻社區), and seven other live social video communities. Each of these communities contains thousands of real-time video rooms with user-generated content provided by hosts and users on air, and broadcasted to the rooms' viewers. We are responsible for providing a technological infrastructure to allow the hosts, users on air and viewers to interact through live video streams.

Our platform is free to access. We mainly derive our revenue from sales of virtual currency, which can be used to purchase virtual goods in each of our communities. Each of our communities has its own virtual currency, which cannot be used in other communities.

Our operating entities primarily engage independent third-party distributors to sell our virtual currency and promote our communities through entering into annual distribution agreements with these distributors. Pursuant to the distribution agreements with these distributors, each distributor is responsible for the sales and promotion of the virtual currency for one or more of our communities through developing and engaging sales agents who directly sell the virtual currency to the users. We do not determine the price of the virtual currency sold to sales agents or users. Additionally, we do not take overall responsibility of the content or performances on our platform. Accordingly, we recognize revenue based on the net amount of proceeds received from our distributors.

We also utilize third-party payment platforms, which charge us the payment handling fees for users to purchase the virtual currency directly from us. The payment handling fees are recorded in cost of sales.

Upon sales of virtual currency, we typically have an implied obligation to provide the service which enable the virtual currency to be used in our communities. As a result, the virtual currency are recorded as customers advances when they are sold to distributors and are transferred to deferred revenue when they are subsequently activated and charged to the respective community accounts by the users.

FINANCIAL INFORMATION

Users use virtual currency to purchase virtual goods in our communities. Virtual goods include:

- (1) Virtual gifts, which are given by users to hosts, performers or other users as a gesture of friendship or support. When a host, user on air or viewer receives a virtual gift, he/she will receive an amount of virtual currency equal to a percentage of the cost of the virtual gift. This percentage varies depending on the cost and rarity of the gift received. The reduced version of the cost is considered as the actual consumption of the virtual currency and is immediately recognized as revenue.
- (2) Virtual items, which are used by users to grant themselves special privileges and abilities. Consumable virtual goods will be extinguished immediately after consumption. As such, the users will not continue to benefit from the virtual items and we do not have further obligations to the user after the virtual items are consumed. Therefore, revenue is recognized immediately when the consumable virtual items are consumed. We also provide durable virtual items that enable the special privileges and abilities to paying users over an extended period of time. Revenue is recognized ratably over the beneficial period. Our revenue from durable virtual goods was insignificant during the Track Record Period.

We offer also membership programs to our users. The revenue generated from membership programs are recognized ratably over the membership period.

Mobile and Online Games

We primarily derive our mobile and online games revenue from the sales of in-game virtual items in our games through cooperation with third-party game developers and online application stores. Through exclusive or non-exclusive operation framework contracts with game developers who own the copyright of the games, we are responsible for marketing, distribution and operation of the game, as well as server maintenance, payer authentication and payment collections related to the game.

Our games are free to play and players can purchase in-game virtual items for better in-game experience. Players purchase the in-game virtual items through the payment systems on online application stores or other third-party payment platforms, who collect the payment from the players and remit the cash net of the payment handling costs and the commission charges. The payment handling costs and the commission charges are pre-determined according to the relevant terms of the agreements entered into between our Group and game developers and online application stores or third party payment platforms.

FINANCIAL INFORMATION

Upon the sales of in-game virtual items, we typically have an implied obligation to provide the services which enable the in-game virtual items to be displayed or used in the games. As a result, the proceeds received from sales of in-game virtual items are initially recorded as deferred revenue and are recognized as revenue subsequently only when the services have been rendered. For the purpose of determining when services have been rendered to the respective paying players, we have determined the following:

- (1) Consumable virtual items represent items that will be extinguished immediately after consumption by a specific game player action. The paying player will not continue to benefit from the virtual items thereafter. Revenue is recognized as a release from deferred revenue when the items are consumed.
- (2) Durable virtual items represent items that are accessible and beneficial to paying players over an extended period of time. Revenue is recognized ratably over the average playing period of paying player, which represents the best estimate of the average life of durable virtual items for the applicable game. Our revenue from durable virtual items is insignificant during the relevant periods.

Others

Other revenues primarily consist of advertising services.

We primarily derive our advertising revenue through advertising framework contracts with advertising agencies that represent advertisers. The advertising agencies enter into framework agreements and place advertisements on particular areas of our Group's website in particular formats and over a specified period of time. We share the revenue from the advertising agencies.

Revenue is recognized ratably over the contracted period of display. Where multiple advertising spaces are purchased with different display periods in the same agreement, we allocate the total consideration to the various advertising elements based on the relative fair value and recognize revenue for the different elements over their respective display periods.

As the advertising agency is viewed as the customers in these transactions, revenue is recognized based on the price charged to the agency, net of sales incentives provided to the agency. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria includes: (1) it is technically feasible to complete the software product and technology so that it will be available for use; (2) management intends to complete the software product and technology and use or sell it; (3) there is an ability to use or sell the software product and technology; (4) it can be demonstrated how the software product and technology will generate probable future

FINANCIAL INFORMATION

economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the software product and technology are available; and (6) the expenditure attributable to the software product and technology during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. During the Track Record Period, there were no development costs meeting these criteria and capitalized as intangible assets. Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their useful lives.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair Value of Series A, B and C Preferred Shares and Series C Ordinary Shares

The Series A, B and C Preferred Shares we issued are not traded in an active market and the respective fair value is determined by using valuation techniques. The directors have used the discounted cash flow method to determine the underlying equity value of our Company and adopted equity allocation method to determine the fair value of the Series A, Series B and Series C Preferred Shares and Series C Ordinary Shares. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Accountant's Report as Appendix I to this prospectus.

Fair Value of Share-based Compensation Expenses

We have awarded shares to eligible directors and employees. We have used the Binomial option-pricing model to determine the total fair value of the options awarded. Significant estimates on key assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by our Company in applying the Binomial option-pricing model.

The fair values of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, we are required to estimate the expected percentage of grantees that will remain in employment with our Group. We only recognize an expense for those share options expected to vest over the vesting period during which the

FINANCIAL INFORMATION

grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The fair value of share options at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Current and deferred income tax

We are subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from us in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognized when our management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

Critical Judgments in Applying our Accounting Policies

Revenue Recognition

We sell virtual currency through our third party distributors. We have assessed the relationship and arrangements with the distributors regarding gross versus net reporting of revenue, and has concluded that reporting the net amount equivalent to the cash proceeds that we receive from the sale of virtual currency to distributors after deduction of sales commission the distributors are entitled to, because we do not determine the price the virtual currency sold to the agents or the users. Additionally, we do not take overall responsibility of the content or performances in the communities. Accordingly, we recognize revenue based on the net amount received from the primary distributors.

Contractual Arrangements

Our Listing Business, which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, the wholly foreign-owned enterprises within our Group cannot acquire equity interest in the PRC Operating Entities, which hold certain licenses and permits required for the operation of the Listing Business.

FINANCIAL INFORMATION

As a result, the wholly foreign-owned enterprises, Hangzhou Tiange and Zhejiang Tiange, entered into Contractual Arrangements with our PRC Operating Entities and their shareholders in order to conduct the Listing Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Operating Entities. More specifically, the Contractual Arrangements are entered into between Hangzhou Tiange and each of Hantang, Jinhua9158 and Jinhua99 (the “**Hangzhou Contractual Arrangements**”) and between Zhejiang Tiange and Xingxiu (the “**Zhejiang Contractual Arrangements**”). With respect to the Hangzhou Contractual Arrangements, Hangzhou Tiange, each of Hantang, Jinhua9158 and Jinhua99 and their respective registered shareholders (where applicable) have entered into a set of these underlying agreements: (i) Exclusive Technology Consulting and Service Agreement; (ii) Exclusive Call Option Agreement; (iii) Exclusive Intellectual Property Rights Call Option Agreement; (iv) Loan Agreement; and (v) Equity Pledge Agreement. With respect to Zhejiang Contractual Arrangements, Zhejiang Tiange, Xingxiu and its respective registered shareholders (where applicable) have entered into these underlying agreements: (i) Exclusive Technology Service Agreement; (ii) Exclusive Call Option Agreement; (iii) Voting Rights Proxy Agreement; (iv) Loan Agreement; and (v) Equity Pledge Agreement.

Pursuant to these agreements and undertakings, notwithstanding the fact that we do not hold direct equity interest in the PRC Operating Entities, we consider that it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from their business activities. Accordingly, the PRC Operating Entities have been treated as our indirect subsidiaries during the Track Record Period.

Equity-settled Share-based Payments Transactions

We operate an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of our Company. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Service conditions are included in assumptions about the number of options and shares that are expected to vest. The total expense is recognized over the vesting period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

FINANCIAL INFORMATION

At the end of each reporting period, we revise our estimates of the number of options and shares that are expected to vest based on the non-marketing performance and service conditions. We recognize the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, we issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The following table sets out a breakdown of our share-based compensation expenses for the years indicated:

| | For the Year Ended December 31, | | |
|--|--|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Share-based Compensation Expenses | | | |
| Selling and marketing | 804 | 1,072 | 1,247 |
| General and administrative | 2,107 | 3,668 | 3,479 |
| Research and development | 996 | 738 | 829 |
| Total | 3,907 | 5,478 | 5,555 |

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATION

The following summarizes components of certain items appearing in the Accountant's Report in Appendix I to this prospectus, which we believe will be helpful in understanding the year-to-year discussion that follows below.

Revenue

We generate revenues from three business lines: live social video platform, games and other businesses.

- *Live social video platform.* Live social video platform revenue consists of revenues generated from sales of virtual goods on the communities under our live social video platform. Revenue from our live social video platform accounted for the substantial majority of our total revenue during the Track Record Period.
- *Mobile and online games.* Mobile and online games revenue consists of revenue generated from sales of virtual items in our mobile game and online games.
- *Others.* Other revenue primarily consists of revenue derived from advertisement services.

FINANCIAL INFORMATION

The following table sets forth our revenue breakdown by business line for the years indicated:

| | For the Year Ended December 31, | | | | | |
|----------------------------|---------------------------------|--------------|----------------|--------------|----------------|--------------|
| | 2011 | | 2012 | | 2013 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Live social video platform | | | | | | |
| 9158 Video | | | | | | |
| Community . . . | 152,233 | 39.6 | 166,403 | 36.5 | 193,767 | 35.3 |
| Sina Show. | 115,244 | 30.0 | 190,644 | 41.8 | 232,182 | 42.4 |
| Sina Showcase . . | 3,795 | 1.0 | 12,619 | 2.8 | 17,884 | 3.3 |
| Other communities* . | 99,216 | 25.8 | 67,459 | 14.8 | 84,597 | 15.4 |
| Sub-total | 370,488 | 96.4 | 437,125 | 95.9 | 528,430 | 96.4 |
| Mobile and online | | | | | | |
| games | 2,775 | 0.7 | 2,396 | 0.5 | 2,727 | 0.5 |
| Others. | 11,179 | 2.9 | 16,247 | 3.6 | 17,083 | 3.1 |
| Total | 384,442 | 100.0 | 455,768 | 100.0 | 548,240 | 100.0 |

* Primarily includes Duoduo Games, Happy88.com, 99cu.com, Tiao58.com, Paopao8.cn and Tangguo100.com

We collect proceeds from sales of virtual currency for our platform primarily through entering into distribution agreements with independent third-party distributors to sell and promote our virtual currency. Our users can also choose to directly purchase virtual currency from us through our website or client software using online payment channels. See “Business – Our Distribution Model.”

Our revenue is affected by the following key metrics:

- *Registered users.* Registered users refer to the number of users who have registered an account on our live social video platform. Our registered users have increased from 77.9 million in 2011 to 143.9 million in 2012 and 205.1 million in 2013. We attract registered users primarily through (i) acquiring user traffic on our websites, (ii) marketing and promotional activities and (iii) word-of-mouth marketing from satisfied users. For example:
 - In 2011, we started cooperating with various Internet cafe operators to place our software on their computers, as well as started offering registered user-only functions, such as room recommendations based on location (determined through user IP addresses).
 - In 2012, we increased marketing expenditures on search advertisements with Baidu and Google.
 - In 2013, we commenced an advertising affiliate program to increase user traffic to our websites. We also added automated chat robots in our real-time video rooms to answer frequently asked questions and direct and encourage roaming visitors to our websites to register accounts with us.

FINANCIAL INFORMATION

- Monthly active users.* MAUs refer to the number of active users for our platform in the relevant month. An MAU is defined as a registered user that accessed our products or services at least once during the relevant month. Average MAUs for a particular period is the average of the MAUs in each month during that period. Our average MAUs have increased significantly from 2011 to 2013 as a result of (i) the increase in our registered user base, (ii) our efforts to increase the social and interactive nature of our platform and offer more diverse and engaging content through our hosts and users on air and (iii) the introduction of mobile clients for our communities, all of which improved our user experience. For example, we introduced: (i) in 2011 the function for private streaming to select groups of users, which contributed to building room atmosphere and increasing room interactivity, (ii) in 2012 bulletin board forums for our communities, which encouraged users to rate and commentate on the content of our hosts and users on air, and (iii) in 2013 a software-based sound mixing function, which encouraged and made it easier for users sing karaoke on air. The number of our real-time video rooms increased from approximately 15,000 as of December 31, 2011 to 19,000 as of December 31, 2012 and 26,000 as of December 31, 2013, and hosts increased from approximately 17,400 in December 2011 to 22,400 in December 2012 and 34,800 in December 2013, primarily as a result of the increasing popularity of our platform with viewers and its ability to allow hosts and room managers to reach a larger audience and gain greater exposure.

The following table sets out the average MAUs of our live social video communities:

| | For the Year Ended December 31, | | |
|--------------------------------|--|-------------|-------------|
| | 2011 | 2012 | 2013 |
| | (in thousands) | | |
| 9158 Video Community | 3,812 | 4,151 | 5,611 |
| Sina Show | 1,883 | 2,107 | 3,186 |
| Sina Showcase | 198 | 273 | 341 |
| Other communities* | 1,565 | 1,449 | 1,681 |
| All communities | 7,458 | 7,979 | 10,819 |

* Primarily includes Duoduo Games, Happy88.com, 99cu.com, Tiao58.com, Paopao8.cn and Tangguo100.com

FINANCIAL INFORMATION

- Monthly paying users.* MPUs refer to the number of paying users for our live social video platform in the relevant month. An MPU is defined as a user that purchased virtual goods at least once during the relevant month. Average MPUs for a particular period is the average of the MPUs in each month during that period. Our average MPUs has increased from 2011 to 2013 primarily as a result of (i) the increase in our active users, (ii) the increase our our number of virtual gifts, (iii) the increase in our number of sales agents and (iv) the introduction of new payment channels. Our types of virtual gifts increased from 534 as of December 31, 2011 to 688 and 910 as of December 31, 2012 and 2013, respectively, as we designed various new types of virtual gifts to meet the consumption requirements and needs of our users and stimulate their spending, such as the release in 2013 of “magical” gifts, which are gifts that display special room-wide effects. We also introduced new gift functions and promotions, such as the function to send multiple gifts with one click in 2011 and a system to reward users who reach certain spending thresholds with non-purchasable virtual gifts in 2012. As a result of these measures, the average monthly number of virtual gifts exchanged on our platform increased from approximately 4.0 billion in 2011 to 4.9 billion in 2012 and 5.7 billion in 2013. Additionally, the increase in our number of sales agents from approximately 650 as of December 31, 2011 to 1,050 and 1,200 as of December 31, 2012 and 2013 led to more interaction between sales agents and our users, which contributed to increased user spending. Finally, the introduction of new payment channels, such as 99bill in 2011, Alipay in 2012 and 19PAY in 2013, made it more convenient for our users to make purchases on our platform and as a result encouraged more users to try our paid products and services.

The following table sets out the average MPUs of our live social video communities:

| | For the Year Ended December 31, | | |
|--------------------------------|--|-------------|-------------|
| | 2011 | 2012 | 2013 |
| | (in thousands) | | |
| 9158 Video Community | 65 | 72 | 91 |
| Sina Show | 62 | 83 | 110 |
| Sina Showcase | 2 | 5 | 9 |
| Other communities* | 64 | 49 | 60 |
| All communities | 194 | 209 | 270 |

* Primarily includes Duoduo Games, Happy88.com, 99cu.com, Tiao58.com, Paopao8.cn and Tangguo100.com

FINANCIAL INFORMATION

- Average revenue per monthly paying user.* Average revenue per MPU, or ARPU, is calculated as revenue in a particular month divided by MPUs in that month. Average monthly ARPU for a period is calculated as average monthly revenue in a particular period divided by the average MPUs in that period. Our average monthly ARPU has increased from 2011 to the 2012 as our virtual goods became increasingly popular and effective in converting active users into paying users as we improved their design, function and variety as described above, and decreased from 2012 to 2013 primarily due to the significant increase in our paying user base as a result of the foregoing. The following table sets of the average monthly ARPU of our live social communities:

| | For the Year Ended December 31, | | |
|--------------------------------|--|--------------|-------------|
| | 2011 | 2012 | 2013 |
| | | (RMB) | |
| 9158 Video Community | 194 | 192 | 177 |
| Sina Show | 154 | 191 | 176 |
| Sina Showcase | 157 | 206 | 168 |
| Other communities* | 130 | 115 | 117 |
| All communities | 160 | 174 | 163 |

* Primarily includes Duoduo Games, Happy88.com, 99cu.com, Tiao58.com, Paopao8.cn and Tangguo100.com

Cost of Revenue

Our cost of revenue primarily consists of (i) bandwidth and server custody fees, (ii) business tax and related surcharges, (iii) game development outsourcing costs, (iv) depreciation of property and equipment, (v) amortization of intangible assets and (vi) other costs.

Bandwidth and server custody fees are fees that we pay to telecommunications service providers for bandwidth and to Internet data centers where we host our servers. We expect that our bandwidth and server custody fees to increase in line with the growth in our user base and as we release more products and services. Game development outsourcing costs are fees that we pay to third-party game developers to develop games for which we hold intellectual property rights.

FINANCIAL INFORMATION

The table below sets forth a breakdown of the components of cost of revenue in absolute amounts and as percentages of total revenue for the years indicated:

| | For the Year Ended December 31, | | | | | |
|--|---------------------------------|-------------|---------------|-------------|---------------|-------------|
| | 2011 | | 2012 | | 2013 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Bandwidth and server custody fees | 14,022 | 3.6 | 21,698 | 4.8 | 27,783 | 5.1 |
| Business tax and related surcharges. | 12,999 | 3.4 | 16,288 | 3.6 | 18,528 | 3.4 |
| Depreciation of property and equipment | 3,615 | 0.9 | 3,989 | 0.9 | 4,958 | 0.9 |
| Game development outsourcing costs. | 333 | 0.1 | 2,130 | 0.5 | 3,626 | 0.7 |
| Amortization of intangible assets. . | 995 | 0.3 | 975 | 0.2 | 956 | 0.2 |
| Others | 16,221 | 4.2 | 7,232 | 1.5 | 12,294 | 2.1 |
| Total | 48,185 | 12.5 | 52,312 | 11.5 | 68,145 | 12.4 |

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) promotion and advertisement expenses, (ii) employee benefit expenses, (iii) travelling and entertainment expenses and (iv) other expenses.

Promotion and advertisement expenses include costs of placing advertisements, holding promotional events and developing and designing marketing activities to generate user traffic to our platform. Employee benefit expenses primarily consist of wages, pension costs, other social security costs, housing benefits and share-based compensation expenses for our sales and marketing personnel.

FINANCIAL INFORMATION

The table below sets forth a breakdown of the components of our selling and marketing expenses in absolute amounts and as percentages of total revenue for the years indicated:

| | For the Year Ended December 31, | | | | | |
|--|---------------------------------|-------------|----------------|-------------|----------------|-------------|
| | 2011 | | 2012 | | 2013 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Promotion and advertising expenses. | 76,873 | 20.0 | 101,751 | 22.3 | 96,613 | 17.6 |
| Employee benefit expenses. | 31,322 | 8.1 | 46,501 | 10.2 | 49,057 | 8.9 |
| Travelling and entertainment expenses. | 7,495 | 1.9 | 8,133 | 1.8 | 10,019 | 1.8 |
| Others | 9,724 | 2.6 | 13,158 | 2.9 | 10,976 | 2.1 |
| Total | 125,414 | 32.6 | 169,543 | 37.2 | 166,665 | 30.4 |

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses, (ii) business tax and related surcharges, (iii) travelling and entertainment expenses, and (iv) other expenses.

Employee benefit expenses primarily consist of wages, pension costs, other social security costs, housing benefits and share-based compensation expenses for our administrative personnel. Business tax and related surcharges represent tax liabilities and other surcharges on our PRC subsidiaries arising from service payments that they receive from our PRC Operating Entities.

FINANCIAL INFORMATION

The table below sets forth a breakdown of the components of our administrative expenses in absolute amounts and as percentages of total revenue for the years indicated:

| | For the Year Ended December 31, | | | | | |
|--|---------------------------------|------------|---------------|------------|---------------|------------|
| | 2011 | | 2012 | | 2013 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Employee benefit expenses (including share-based compensation expense) | 11,597 | 3.0 | 15,357 | 3.4 | 17,930 | 3.3 |
| Business tax and related surcharges | 13,277 | 3.5 | 16,505 | 3.6 | 17,601 | 3.2 |
| Travelling and entertainment expenses | 4,814 | 1.3 | 4,294 | 0.9 | 4,186 | 0.8 |
| Others | 8,277 | 2.1 | 8,195 | 1.8 | 13,551 | 2.4 |
| Total | 37,965 | 9.9 | 44,351 | 9.7 | 53,268 | 9.7 |

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses, (ii) game development outsourcing costs and (iii) other expenses.

Employee benefit expenses consist of wages, salaries and benefits and pension contributions for our research and development staff. Game development outsourcing expenses consist of expenses for outsourcing the development of our mobile and web games to third parties.

The table below sets forth a breakdown of the components of our research and development expenses in absolute amounts and as percentages of total revenue for the years indicated:

| | For the Year Ended December 31, | | | | | |
|--|---------------------------------|-------------|---------------|-------------|---------------|-------------|
| | 2011 | | 2012 | | 2013 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Employee benefit expenses (including share-based compensation expense) | 24,239 | 6.3 | 31,508 | 6.9 | 34,977 | 6.4 |
| Game development outsourcing costs | 7,733 | 2.0 | 13,307 | 2.9 | 20,193 | 3.7 |
| Others | 7,471 | 2.0 | 11,902 | 2.6 | 13,926 | 2.5 |
| Total | 39,443 | 10.3 | 56,717 | 12.4 | 69,096 | 12.6 |

FINANCIAL INFORMATION

Other Gains, Net

Net other gains primarily consist of government grants and interest income and loss on disposal of property and equipment. Government grants primarily consist of (i) tax based subsidies provided by the relevant local taxation bureau to encourage our business growth, (ii) subsidies granted by the local government authorities in Hangzhou and Jinhua to reward our achievements and support our development and (iii) subsidies granted by the local government authorities to fund our research and development projects. We had net other gains of RMB6.4 million, RMB30.4 million and RMB35.4 million in 2011, 2012 and 2013, respectively.

Finance Income/Cost, Net

Finance income consists of: (i) gains from repurchase of our preferred shares in 2013, representing the difference between the repurchase price and the fair value of the preferred shares on the repurchase date, (ii) interest income on our cash and cash equivalents from 2011 to 2013 and (iii) exchange gain on financing activities in 2013. Finance costs primarily consists of: (i) dividends appropriated to our preferred shareholders in 2013, (ii) losses from the repurchase of our preferred shares in 2012 and (iii) interest expenses on our bank borrowings in 2013.

We had net finance income of RMB1.5 million and RMB0.4 million in 2011 and 2013, and net finance cost of RMB5.6 million in 2012.

Fair Value Loss of Convertible Redeemable Preferred Shares and Redeemable Ordinary Shares

Our fair value loss of convertible redeemable preferred shares and redeemable Ordinary Shares represents changes in the fair value of our convertible redeemable preferred shares and redeemable Ordinary Shares. For the years ended December 31, 2011, 2012 and 2013, our fair value loss of convertible redeemable preferred shares and redeemable Ordinary Shares was RMB216.6 million, RMB172.9 million and RMB283.3 million, representing 56.3%, 37.9% and 51.7% of our total revenue, respectively. Assuming the completion of the Global Offering in the year ending December 31, 2014 with the indicative Offer Price ranging from HK\$4.50 to HK\$5.30, the estimated total fair value loss to be recorded in relation to our convertible redeemable preferred shares and redeemable Ordinary Shares in the year ending December 31, 2014 will be approximately HK\$202.7 million to HK\$362.7 million. Upon the completion of the Global Offering, our convertible redeemable preferred shares will be automatically converted into our Ordinary Shares on a one-to-one basis, and there will be no fair value gain or loss associated with our convertible redeemable preferred shares for any financial period after December 31, 2014. Prior to the Global Offering, our convertible redeemable preferred shares and redeemable Ordinary Shares are not traded in an active market and the fair value at respective reporting dates is determined using valuation techniques. In January 2012, the holders of our redeemable Ordinary Shares waived the redemption rights related to those Shares. Please refer to Note 30 of Section II to the Accountant's Report in Appendix I to this prospectus for details of the key assumptions of the valuations. Upon the completion of the Global Offering, our convertible redeemable preferred shares will be automatically converted to Ordinary Shares on one-to-one basis, subject to adjustment for dilutive issuances.

FINANCIAL INFORMATION

TAXATION

Income Tax

Cayman Islands. We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong. Our subsidiary incorporated in Hong Kong was subject to a profits tax at the rates of 16.5% for 2011, 2012 and 2013. Hong Kong profits tax has been provided for at 16.5% on our Hong Kong subsidiary's estimated assessable profits for 2011, 2012 and 2013, as it had business operation during the Track Record Period.

PRC. Our subsidiaries and PRC Operating Entities in China are subject to Enterprise Income Tax (“**EIT**”) on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law (“**EIT Law**”). Pursuant to the EIT Law, our subsidiaries and PRC Operating Entities in China are generally subject to EIT at the statutory rate of 25%.

However, the EIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. The EIT Law provides that companies qualifying as “software enterprises” can enjoy a two-year EIT exemption followed by a three-year 50% EIT rate reduction commencing from the first profit-marking year after the qualification.

FINANCIAL INFORMATION

The following table sets out the tax benefits and applicable EIT rate of our subsidiaries in China and PRC Operating Entities:

| Name | Tax benefit | Applicable EIT rate in | | |
|------------------------------|---|-------------------------------|-------------|-------------|
| | | 2011 | 2012 | 2013 |
| Hangzhou Tiange | Qualified as a software enterprise since 2009, and is subject to a 0% EIT rate for the 2009 and 2010 and a 50% tax rate reduction to an applicable rate from 2011 to 2013. | 12.5% | 12.5% | 12.5% |
| Zhejiang Tiange | Qualified as a software enterprise since 2011, and is subject to a 0% EIT rate for the 2011 and 2012 and a 50% tax rate reduction to an applicable rate from 2013 to 2015. | 0% | 0% | 12.5% |
| Star Power. | Qualified as a software enterprise since 2011, and is subject to a 0% EIT rate for the 2011 and 2012 and a 50% tax rate reduction to an applicable rate from 2013 to 2015. | 0% | 0% | 12.5% |
| Jinhua9158 | No tax benefit. | 25% | 25% | 25% |
| Hantang. | No tax benefit. | 25% | 25% | 25% |
| Jinhua99 | Qualified as a software enterprise, which is retroactively effective since 2009, and is subject to a 0% EIT rate for the 2010 and a 50% tax rate reduction to an applicable rate from 2011 to 2013. | 12.5% | 12.5% | 12.5% |
| Xingxiu | No tax benefit. | N/A | 25% | 25% |
| Tianhu | No tax benefit. | N/A | N/A | 25% |

FINANCIAL INFORMATION

According to relevant laws and regulations promulgated by SAT that have been in effect since 2008, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year. Hangzhou Tiange, Hantang, Jinhua99 and Zhejiang Tiange had been granted the entitlement from year 2011 to 2013. During the Track Record Period, our PRC subsidiaries and PRC Operating Entities have fulfilled their tax obligations and did not have any unresolved tax disputes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | For the Year Ended December 31, | | | | | |
|---|---------------------------------|---------------|-----------------|--------------|-----------------|---------------|
| | 2011 | | 2012 | | 2013 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Revenue. | 384,442 | 100.0 | 455,768 | 100.0 | 548,240 | 100.0 |
| Cost of revenue | (48,185) | (12.5) | (52,312) | (11.5) | (68,145) | (12.4) |
| Gross profit | 336,257 | 87.5 | 403,456 | 88.5 | 480,095 | 87.6 |
| Selling and marketing expenses. | (125,414) | (32.6) | (169,543) | (37.2) | (166,665) | (30.4) |
| Administrative expenses. | (37,965) | (9.9) | (44,351) | (9.7) | (53,268) | (9.7) |
| Research and development expenses. | (39,443) | (10.3) | (56,717) | (12.4) | (69,096) | (12.6) |
| Other gains, net | 6,429 | 1.7 | 30,441 | 6.7 | 35,399 | 6.5 |
| Operating profit. . . . | 139,864 | 36.4 | 163,286 | 35.8 | 226,465 | 41.3 |
| Finance income (costs), net | 1,451 | 0.4 | (5,622) | (1.2) | 402 | 0.1 |
| Fair value loss of convertible redeemable preferred shares and redeemable Ordinary Shares . . | (216,601) | (56.3) | (172,949) | (37.9) | (283,298) | (51.7) |
| Loss before income tax | (75,286) | (19.6) | (15,285) | (3.4) | (56,431) | (10.3) |
| Income tax expense | (5,320) | (1.4) | (11,948) | (2.6) | (36,178) | (6.6) |
| Loss for the year | (80,606) | (21.0) | (27,233) | (6.0) | (92,609) | (16.9) |
| Adjusted net profit (unaudited) | 139,902 | 36.4 | 158,362 | 34.7 | 206,253 | 37.6 |
| Adjusted EBITDA (unaudited) | 152,817 | 39.8 | 180,030 | 39.5 | 251,881 | 45.9 |

FINANCIAL INFORMATION

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit and adjusted EBITDA as additional financial measures. We present these financial measures because they are used by our management to evaluate our operating performance. We also believe that these non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted Net Profit

Adjusted net profit eliminates the effect of non-cash share-based compensation expenses, non-cash fair value change of convertible redeemable preferred shares and redeemable ordinary shares, non-cash gains and losses on repurchase of preferred shares, dividend appropriation to preferred shareholders and listing expenses, which have been and may continue to be significant recurring factors in our business prior to the completion of the Global Offering. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year.

Adjusted EBITDA

Adjusted EBITDA, as we present it, represents operating profit, adjusted to exclude share-based compensation expenses, listing expenses, depreciation and amortization. The use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect our operations. Items excluded from adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. Share-based compensation expenses, listing expenses, depreciation and amortization have been and may continue to be incurred in our business and are not reflected in the presentation of adjusted EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, adjusted EBITDA does not consider changes in working capital, capital expenditures and other investing activities and should not be considered as a measure of our liquidity. The term of adjusted EBITDA is not defined under IFRS, and adjusted EBITDA is not a measure of profit for the year, operating profit or liquidity presented in accordance with IFRS.

FINANCIAL INFORMATION

We compensate for these limitations by reconciling the financial measures to the nearest IFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net profit:

| | For the Year Ended December 31, | | |
|---|--|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Loss for the year | (80,606) | (27,233) | (92,609) |
| Add: | | | |
| Share-based compensation expenses. | 3,907 | 5,478 | 5,555 |
| Fair value loss of convertible redeemable preferred shares and redeemable ordinary shares | 216,601 | 172,949 | 283,298 |
| Loss/(gain) on repurchase of preferred shares | – | 7,168 | (32,284) |
| Dividend appropriation to preferred shareholders | – | – | 35,280 |
| Listing expenses | – | – | 7,013 |
| Adjusted net profit (unaudited) | <u>139,902</u> | <u>158,362</u> | <u>206,253</u> |
| Operating profit | 139,864 | 163,286 | 226,465 |
| Add: | | | |
| Depreciation of property and equipment | 7,579 | 9,615 | 11,225 |
| Amortization of intangible assets. | 1,467 | 1,651 | 1,623 |
| Share-based compensation expenses. | 3,907 | 5,478 | 5,555 |
| Listing expenses | – | – | 7,013 |
| Adjusted EBITDA (unaudited) | <u>152,817</u> | <u>180,030</u> | <u>251,881</u> |

In light of the foregoing limitations for other financial measures, when assessing our operating and financial performance, you should not consider adjusted net profit or adjusted EBITDA in isolation or as a substitute for our profit for the year, operating profit or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies.

FINANCIAL INFORMATION

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

Revenue. Our revenue for 2013 was RMB548.2 million, a 20.3% increase from RMB455.8 million for 2012. Revenues from our live social video platform increased from RMB437.1 million to RMB528.4 million, primarily due to an increase in average MPUs from approximately 209,000 to 270,000, partially offset by a decrease in average monthly ARPU from RMB174 to RMB163. The increase in average MPUs was primarily due to the increasing popularity of our platform and our high levels of user stickiness and engagement which converted active users to paying users, as well as new payment channels offered in 2013. The decrease in average monthly ARPU was primarily due to the significant increase in our paying user base.

Game revenues increased from RMB2.4 million to RMB2.7 million, primarily due to the launch of Three Kingdoms, offset by the discontinued operations of certain of our web games. Other revenues increased slightly from RMB16.2 million to RMB17.1 million due to increased advertising revenues from third parties.

Cost of Revenue. Our cost of revenue for 2013 was RMB68.1 million, a 30.3% increase from RMB52.3 million in 2012. This was primarily attributable to (i) an RMB6.1 million increase in bandwidth and server custody fees in line with our business growth and (ii) an RMB2.2 million increase in business tax and related surcharges as a result of business growth. Cost of revenue as a percentage of our total revenue increased slightly from 11.5% to 12.4%.

Gross Profit Margin. As a result of the foregoing, our gross profit margin for 2013 was 87.6%, compared to 88.5% for 2012.

Selling and Marketing Expenses. Our selling and marketing expenses for 2013 were RMB166.7 million, a 1.7% decrease from RMB169.5 million for 2012. This was primarily attributable to an RMB5.1 million decrease in promotion and advertising expenses as a result of decreased advertising fees paid to SINA Group, partially offset by an RMB2.6 million increase in employee benefit expenses for our sales and marketing personnel and an RMB1.9 million increase in traveling and entertainment expenses in line with the growth of our business.

Administrative Expenses. Our administrative expenses for 2013 were RMB53.3 million, a 20.1% increase from RMB44.4 million for 2012. This was primarily attributable to (i) an RMB2.6 million increase in employee benefit expenses as a result of increased administrative headcount from 104 as of December 31, 2012 to 116 as of December 31, 2013 and higher employee salaries and (ii) an RMB1.1 million increase in business tax and related surcharges as a result of increased service fee payments from our PRC Operating Entities to our PRC subsidiaries.

Research and Development Expenses. Our research and development expenses for 2013 were RMB69.1 million, a 21.8% increase from RMB56.7 million for 2012. This was primarily attributable to (i) RMB6.9 million increase in game development outsourcing cost due to our

FINANCIAL INFORMATION

increased focus on development of mobile games and (ii) an RMB3.5 million increase in employee benefit expenses as a result of increased average salaries and bonuses for research and development headcount in relation with the development of social video networking features and chatting functions in our real-time video rooms.

Other Gains, Net. Our net other gains for 2013 was RMB35.4 million, an increase from RMB30.4 million for 2012. This was primarily attributable to (i) an RMB3.3 million increase in subsidies granted by local government authorities to fund our technology research projects and (ii) an RMB2.4 million increase in investment interest, partially offset by an RMB2.6 million decrease in tax-based subsidies.

Operating Profit. As a result of the foregoing, our operating profit for 2013 was RMB226.5 million, representing a 38.7% increase from RMB163.3 million for 2012. Our operating profit margin for 2013 was 41.3%, compared with 35.8% for 2012.

Finance Income. Our finance income for 2013 was RMB37.1 million, compared to RMB1.5 million in 2012. The increase was primarily due to (i) RMB32.3 million from gain on repurchase of our preferred shares, which represents the difference between the repurchase price and fair value of the preferred shares on the repurchase date and (ii) an RMB1.6 million increase in interest income due to increased cash from operations placed in interest-bearing deposits.

Finance Costs. Our finance costs for 2013 was RMB36.7 million, compared to RMB7.2 million in 2012. The increase was primarily due to (i) RMB35.3 million in dividend appropriation to holders of our preferred shares and (ii) RMB1.4 million in interest expenses on our bank borrowings.

Fair Value Loss of Convertible Redeemable Preferred Shares and Redeemable Ordinary Shares. We had fair value loss of convertible redeemable preferred shares and redeemable ordinary shares of RMB172.9 million and RMB283.3 million in 2012 and 2013, respectively, due to the continued increase in the equity value of our Company.

Loss before Income Tax. As a result of the foregoing, our loss before income tax for 2013 was RMB56.4 million, compared to RMB15.3 million for 2012.

Income Tax Expense. Our income tax expense for 2013 was RMB36.2 million, a significant increase from RMB11.9 million for 2012. This was primarily attributable to increases in taxable profit for our PRC Operating Entities.

Loss for the Year. As a result of the foregoing, our loss for 2013 was RMB92.6 million, compared to RMB27.2 million for 2012.

Adjusted Net Profit. Our adjusted net profit for 2013 was RMB206.3 million, representing a 30.2% increase from RMB158.4 million for 2012. Please refer to the section headed “Non-IFRS Measures” for details.

FINANCIAL INFORMATION

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Revenue. Our revenue for 2012 was RMB455.8 million, an 18.6% increase from RMB384.4 million for 2011. Revenues from our live social video platform increased from RMB370.5 million to RMB437.1 million, primarily due to an increase in average MPUs from approximately 194,000 to 209,000 and an increase in average monthly ARPU from RMB160 to RMB174. The increase in average MPUs was primarily due to the increasing popularity of our platform and our high levels of user stickiness and engagement which converted active users to paying users. The increase in average monthly ARPU was primarily due to our effective monetization measures and the increased diversity in virtual goods we offered to our users.

Game revenues decreased slightly from RMB2.8 million to RMB2.4 million, primarily due to our ramping back of our web games business. Other revenues increased from RMB11.2 million to RMB16.2 million, primarily due to an increase in the number of advertisers placing advertisements on our platform through Sina as a result of the increasing strength of our brand and user base.

Cost of Revenue. Our cost of revenue remained relatively stable from 2011 to 2012, increasing slightly from RMB48.2 million to RMB52.3 million. This was primarily attributable to (i) an RMB7.7 million increase in server and bandwidth costs in line with our business growth and (ii) an RMB3.3 million increase in operating taxes and surcharges, partially offset by an RMB9.0 million decrease in other costs.

Gross Profit Margin. As a result of the foregoing, our gross profit margin for 2012 was 88.5%, compared to 87.5% for 2011.

Selling and Marketing Expenses. Our selling and marketing expenses for 2012 were RMB169.5 million, a 35.2% increase from RMB125.4 million for 2011. This was primarily attributable to (i) an RMB24.9 million increase in promotion and advertising expenses as a result of advertising expenses to promote Sina Show and the general growth of our business and (ii) an RMB15.2 million increase in employee benefit expenses as a result of increased sales and marketing headcount from 125 as of December 31, 2011 to 143 as of December 31, 2012 and higher average employee salaries.

Administrative Expenses. Our administrative expenses for 2012 were RMB44.4 million, a 16.8% increase from RMB38.0 million for 2011. This was primarily attributable to (i) an RMB3.8 million increase in employee benefit expenses as a result of increased administrative headcount from 91 as of December 31, 2011 to 104 as of December 31, 2012 and higher employee salaries and (ii) an RMB3.2 million increase in business tax and related surcharges as a result of increased service fee payments from our PRC Operating Entities to our PRC subsidiaries.

Research and Development Expenses. Our research and development expenses for 2012 were RMB56.7 million, a 43.8% increase from RMB39.4 million for 2011. This was primarily attributable to (i) an RMB7.3 million increase in employee benefit expenses as a result of

FINANCIAL INFORMATION

increased research and development headcount from 293 as of December 31, 2011 to 327 as of December 31, 2012 in relation with the development of social video networking features and chatting functions in our real-time video rooms, and (ii) RMB5.6 million increase in game development outsourcing cost due to our increased focus on development of mobile, web and PC games.

Other Gains, Net. Our net other gains for 2012 was RMB30.4 million, a significant increase from RMB6.4 million for 2011. This was primarily attributable to: (i) an RMB13.3 million increase tax refund granted by the relevant local government authorities in 2012 to encourage our business growth, (ii) an increase of RMB2.6 million in subsidies granted by the local government authorities to fund our scientific research projects and (iii) an RMB6.8 million increase in investment interest.

Operating Profit. As a result of the foregoing, our operating profit for 2012 was RMB163.3 million, representing a 16.7% increase from RMB139.9 million for 2011. Our operating profit margin for 2012 was 35.8%, compared with 36.4% for 2011.

Finance Income. Our finance income was RMB1.5 million in 2012 and RMB1.6 million in 2011, both attributable to interest income on our cash and cash equivalents.

Finance Costs. Our finance costs for 2012 was RMB7.2 million, compared to RMB0.1 million in 2011. The increase was due to RMB7.2 million in loss on repurchase of our preferred shares, which represents the difference between the repurchase price and fair value of the preferred shares on the repurchase date.

Fair Value Loss of Convertible Redeemable Preferred Shares and Redeemable Ordinary Shares. We had fair value loss of convertible redeemable preferred shares and redeemable ordinary shares of RMB216.6 million and RMB172.9 million in 2011 and 2012, respectively, due to the continued increase in the equity value of our Company.

Loss before Income Tax. As a result of the foregoing, our loss before income tax for 2012 was RMB15.3 million, compared with a loss before income tax of RMB75.3 million for 2011.

Income Tax Expense. Our income tax expense for 2012 was RMB11.9 million, a significant increase from RMB5.3 million for 2011. This was primarily attributable to increases in taxable profit for our PRC Operating Entities.

Loss for the Year. As a result of the foregoing, our loss for 2012 was RMB27.2 million, compared to RMB80.6 million for 2011.

Adjusted Net Profit. Our adjusted net profit for 2012 was RMB158.4 million, representing a 13.2% increase from RMB139.9 million for 2011. Please refer to the section headed “Non-IFRS Measures” for details.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated below:

| | As of December 31, | | | As of April 30, |
|--|-----------------------|-----------------------|-----------------------|------------------------|
| | 2011 | 2012 | 2013 | 2014 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) |
| Current assets | | | | |
| Trade receivables | 10,442 | 10,516 | 20,804 | 25,924 |
| Prepayments and other receivables | 26,980 | 61,984 | 66,788 | 35,885 |
| Available-for-sale financial assets | – | 144,402 | 278,140 | 400,715 |
| Term deposits with initial term of over three months. | 131,666 | 152,336 | 21,873 | 11,669 |
| Cash and cash equivalents . . | 174,944 | 136,637 | 171,896 | 74,315 |
| Restricted cash | – | – | 33,000 | 33,000 |
| Total current assets | <u>344,032</u> | <u>505,875</u> | <u>592,501</u> | <u>581,508</u> |
| Current liabilities | | | | |
| Trade payables | 12,912 | 21,320 | 13,883 | 22,750 |
| Other payables and accruals. | 63,446 | 125,759 | 114,631 | 62,921 |
| Income tax liabilities | 10,281 | 34,945 | 42,532 | 37,033 |
| Borrowings | – | – | 30,485 | 30,790 |
| Dividend payable | – | – | 74,161 | 74,883 |
| Customer advances and deferred revenue | 16,373 | 30,812 | 24,027 | 30,636 |
| Total current liabilities . . . | <u>103,012</u> | <u>212,836</u> | <u>299,719</u> | <u>259,013</u> |
| Net current assets | <u>241,020</u> | <u>293,039</u> | <u>292,782</u> | <u>322,495</u> |

As of April 30, 2014, we had net current assets of RMB322.5 million, compared to our net current assets of RMB292.8 million as of December 31, 2013. This increase was mainly attributable to (i) an increase in available-for-sale financial assets of RMB122.6 million, (ii) a decrease in other payables and accruals of RMB51.7 million and (iii) a decrease in income tax liabilities of RMB5.5 million, partially offset by (i) a decrease in cash and cash equivalents of RMB97.6 million and (ii) a decrease in RMB30.9 million in prepayments and other receivables.

FINANCIAL INFORMATION

As of December 31, 2013, we had net current assets of RMB292.8 million, compared to our net current assets of RMB293.0 million in December 31, 2012. This decrease was mainly attributable to: (i) a decrease in term deposits with initial term of over three months of RMB130.5 million, (ii) dividends payable of RMB74.2 million and (iii) new borrowings of RMB30.5 million, partially offset by (i) an increase in available-for-sale financial assets of RMB133.7 million and (ii) a decrease in cash and cash equivalents of RMB35.3 million.

As of December 31, 2012, we had net current assets of RMB293.0 million, as compared to our net current assets of RMB241.0 million as of December 31, 2011. This change was mainly attributable to (i) an increase in available-for-sale financial assets of RMB144.4 million, (ii) an increase in prepayments and other receivables of RMB35.0 million and (iii) an increase in term deposits with initial terms over three months of RMB20.7 million, partially offset by (i) an increase in other payables and accruals of RMB62.3 million and (ii) an increase in income tax liabilities of RMB24.7 million.

Trade Receivables

The balance of trade receivables at the end of each year consists of (i) receivables from third-party payment and distribution platforms for our live social video platform and mobile games and advertising customers and (ii) receivables from related parties, which consist of advertising revenues due to us from Sina.

The following table sets forth a breakdown of our trade receivables as of the dates indicated:

| | As of December 31, | | |
|--|---------------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Third parties | 6,210 | 4,349 | 14,262 |
| Related parties | 4,232 | 6,167 | 6,542 |
| Total trade receivables | 10,422 | 10,516 | 20,804 |

Our trade receivables remained stable from RMB10.4 million as of December 31, 2011 to RMB10.5 million as of December 31, 2012, and increased to RMB20.8 million as of December 31, 2013. This increase was primarily due to advertising receivables from a third party arising toward the end of 2013 and increased receivables from third party payment and distributing platforms.

FINANCIAL INFORMATION

The following table sets forth an aging analysis, based on the recognition date of our trade receivables as of each date indicated:

| | As of December 31, | | |
|--|---------------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| 0-90 days | 10,422 | 7,997 | 14,741 |
| 91-180 days | – | 2,053 | 4,931 |
| 181-365 days | – | 466 | 275 |
| Over 1 year | – | – | 857 |
| Total trade receivables | 10,422 | 10,516 | 20,804 |

The following table sets forth our average trade receivables turnover days for the years indicated:

| | For the Year Ended December 31, | | |
|--|--|-------------|-------------|
| | 2011 | 2012 | 2013 |
| Trade receivables turnover days ⁽¹⁾ | 6.1 | 8.4 | 10.4 |

Note:

⁽¹⁾ Trade receivables turnover days for a certain period is the average of the trade receivables balance at the beginning and the end of the year, divided by revenues for that year and multiplied by 365 days.

Our trade receivables turnover days increased from 6.1 in 2011 to 8.4 in 2012, primarily as a result of the increase in receivables as a result of the expansion of our business. Our trade receivables turnover days increased from 8.4 days in 2012 to 10.4 in 2013, primarily due to the percentage increase in trade receivables from third party outpacing the percentage increase in our revenues.

FINANCIAL INFORMATION

Prepayments and Other Receivables

The following table sets out our prepayments and other receivables as of each date indicated:

| | As of December 31, | | |
|--|----------------------|-----------------------|-----------------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Included in non-current assets | | | |
| Long-term prepaid expenses | 2,316 | 2,050 | 6,902 |
| Prepayments for property and equipment | – | 70,709 | 103,835 |
| | <u>2,316</u> | <u>72,759</u> | <u>110,737</u> |
| Included in current assets | | | |
| Loan deposits due from related parties . . | – | 22,274 | 22,274 |
| Amounts due from Mr. Fu Zhengjun . . . | – | 7,200 | 7,200 |
| Cash advance to an investment agent. . . | 17,724 | 17,724 | 17,724 |
| Prepayment of other tax. | – | 682 | 1,184 |
| Rental and other deposits. | 2,857 | 2,201 | 2,256 |
| Staff advances | 2,366 | 3,079 | 1,498 |
| Prepaid promotion expenses. | 2,702 | 4,426 | 10,715 |
| Prepaid technical service fee | – | 2,450 | 283 |
| Deferred listing expenses. | – | – | 1,213 |
| Others | 1,331 | 1,948 | 2,441 |
| | <u>26,980</u> | <u>61,984</u> | <u>66,788</u> |
| Less: provision for impairment of other receivables | – | – | – |
| Total | <u>29,296</u> | <u>134,743</u> | <u>177,525</u> |

Prepayments. Prepayments of RMB70.7 million and RMB103.8 million as of December 31, 2012 and 2013 were both attributable to prepayments related to the purchase of office premises.

Loan deposits due from related parties. Loan deposits due from related parties of RMB22.3 million as of December 31, 2012 and 2013 were attributable to cash deposit in China for a US\$3.5 million interest-free loan borrowed outside of China from SINA Hong Kong Limited.

Cash advance to an investment agent. Cash advance to an investment agent was RMB17.7 million as of each of December 31, 2011, 2012 and 2013, primarily attributable to prepayment to investment agent who searched for suitable investment targets for our Company. This cash advance is considered as a down payment if any investment is successful investment and will be returned if no successful service has been provided. The arrangement was made in 2011 and has been renewed on an annual basis from 2011 to 2013. The full amount of the cash advance was refunded in March 2014.

FINANCIAL INFORMATION

Prepaid promotion expenses. Prepaid promotion expenses were RMB2.7 million, RMB4.4 million and RMB10.7 million as of December 31, 2011, 2012 and 2013, respectively. The increase in prepaid promotion expenses from 2012 to 2013 was primarily due to an RMB5.0 million prepayment paid to an advertising partner in connection with a long-term cooperation agreement.

Prepaid technical service fees. Prepaid technical services fees were nil, RMB2.5 million and RMB0.3 million as of December 31, 2011, 2012 and 2013, respectively. Prepaid technical services fees as of December 31, 2012 was related to a one-time prepayment related to technical support services.

Trade Payables

Our trade payables primarily relate to (i) fees for outsourcing of game development, licensing fees for third-party game developers and information services and (ii) payables to related parties, which consist of payables to two entities affiliated with Sina related to advertising fees and technical support services.

The following table sets forth a breakdown of our trade payables as of the dates indicated:

| | As of December 31, | | |
|---------------------------|---------------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Third parties | 4,912 | 8,025 | 8,591 |
| Related parties | 8,000 | 13,295 | 5,292 |
| Total | 12,912 | 21,320 | 13,883 |

Trade payables increased from RMB12.9 million in 2011 to RMB21.3 million in 2012, primarily due to an increase in fees for information services and an increase in advertisements we placed with SINA Group, and decreased to RMB13.9 million in 2013, primarily due to a decrease in advertisements we placed with SINA Group, partially offset by an increase in technical support service fees.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

| | As of December 31, | | |
|------------------------|---------------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| 0-90 days | 12,656 | 21,078 | 3,261 |
| 91-180 days | 256 | 234 | 3,159 |
| 181-365 days | – | 8 | 2,933 |
| Over 1 year | – | – | 4,530 |
| Total | 12,912 | 21,320 | 13,883 |

FINANCIAL INFORMATION

The following table sets forth our average trade payables turnover days for the years indicated:

| | For the Year Ended December 31, | | |
|---|---------------------------------|-------|------|
| | 2011 | 2012 | 2013 |
| Trade payables turnover days ⁽¹⁾ | 101.3 | 119.4 | 94.3 |

Note:

⁽¹⁾ Trade payables turnover days for a certain period is the average of the trade payables balance at the beginning and the end of the year, divided by cost of revenue for that year and multiplied by 365 days.

We settle our trade payables after the work is completed by third parties. Our trade payables turnover days from 101.3 days in 2011 to 119.4 days in 2012, primarily due to the percentage increase in our trade payables outpacing the percentage increase in our cost of revenues. Our trade payables turnover days decreased from 119.4 days in 2012 to 94.3 days in 2013, primarily due to percentage decrease in our trade payables outpacing the percentage increase in our cost of revenue. Our Directors confirm that we did not have material defaults in payments of trade payables during the Track Record Period.

Other Payables and Accruals

The following table sets forth our other payables and accruals as of the dates indicated:

| | As of December 31, | | |
|--|--------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Deposit payables | 30,691 | 65,922 | 33,873 |
| Borrowing from Intco International | 17,643 | 17,599 | 17,071 |
| Borrowings from related party | – | 21,999 | 21,399 |
| Staff costs and welfare accruals | 7,590 | 9,084 | 9,570 |
| VAT and other tax liabilities | 3,073 | 1,674 | 2,947 |
| Audit expenses payable | 2,264 | 2,729 | 4,416 |
| Listing expenses payable | – | – | 3,475 |
| Human resource outsourcing service fee payable | 1,445 | 1,938 | 2,925 |
| Accrued promotion expense payable | 280 | 4,186 | 17,472 |
| Interest payable | – | – | 1,090 |
| Others | 460 | 628 | 453 |
| Total | 63,446 | 125,759 | 114,631 |

Deposit payables. Deposit payables are deposits received from our third-party distributor as a condition to provide distribution services for our live social video platform. Deposit payables increased from RMB30.7 million in 2011 to RMB65.9 million in 2012 as a result of the expansion of our business. Deposit payables decreased from RMB65.9 million in 2012 to

FINANCIAL INFORMATION

RMB33.9 million in 2013, primarily due to our changing our deposit policy with respect to one of our distributors as a result of our longer history of cooperation. A portion of these deposits totaling RMB32.0 million was transferred to advances from customers attributable to this distributor.

Borrowings. Borrowings from Intco International refers to a US\$2.8 million interest-free loan from an independent third party to fund the repurchase of certain of our Series A Preferred Shares. This loan was fully settled in March 2013. Borrowings from a related party refers to US\$3.5 million loan from Sina. This loan was fully settled in January 2013.

Accrued promotion expense payable. Accrued promotion expenses payable primarily consist of marketing expenses incurred but not been paid for. The RMB13.3 million increase from 2012 to 2013 was primarily attributable to marketing expenses from our cooperation with two third parties incurred but not paid for in the fourth quarter of 2013.

Our Directors confirm that we did not have material defaults in payment of other payables during the Track Record Period.

Cash Flow Analysis

We have historically met our working capital and other capital requirements principally from cash flow generated from our operating activities. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash flow generated from our operating activities and the proceeds from this Global Offering.

The following table presents selected cash flow data from our consolidated cash flow statements for the years indicated:

| | For the Year Ended December 31, | | |
|--|--|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Net cash generated from operating activities | 177,293 | 215,660 | 176,349 |
| Net cash used in investing activities . . . | (171,549) | (260,151) | (158,396) |
| Net cash generated from financing activities | 50,757 | 6,182 | 15,617 |
| Net increase/(decrease) in cash and cash equivalents | 56,501 | (38,309) | 33,570 |
| Cash and cash equivalents at beginning of year | 118,586 | 174,944 | 136,637 |
| Exchange (losses)/gains on cash and equivalents | (143) | 2 | 1,689 |
| Cash and cash equivalents at end of year | 174,944 | 136,637 | 171,896 |

FINANCIAL INFORMATION

Net Cash Generated from Operating Activities

For 2013, our net cash generated from operating activities was RMB176.3 million. This net cash generated from operating activities is based on loss before income tax of RMB56.4 million, positively adjusted by (i) finance costs of RMB36.7 million, primarily attributable to a dividend appropriation of RMB35.3 million to our preferred shareholders and (ii) non-cash items, including fair value loss of convertible redeemable preferred shares and redeemable ordinary shares of RMB283.3 million and depreciation of property and equipment of RMB11.2 million, partially offset by (i) a gain on repurchase of preferred shares of RMB32.3 million, (ii) investment interest of RMB11.0 million and (iii) a decrease in other payables and accruals of RMB19.6 million.

For 2012, our net cash generated from operating activities was RMB215.7 million. This net cash generated from operating activities is based on loss before income tax of RMB15.3 million, positively adjusted by (i) increases in other payables and accruals of RMB50.5 million and (ii) non-cash items, including fair value loss of convertible redeemable preferred shares and redeemable ordinary shares of RMB172.9 million and depreciation of property and equipment of RMB9.6 million, partially offset by (i) a decrease in prepayments and other receivables of RMB11.3 million and (ii) investment interest of RMB8.6 million.

For 2011, our net cash generated from operating activities was RMB177.3 million. This net cash generated from operating activities is based on loss before income tax of RMB75.3 million, positively adjusted by (i) increases in other payables and accruals of RMB39.2 million, and (ii) non-cash items, including fair value loss of convertible redeemable preferred shares and redeemable ordinary shares of RMB216.6 million and depreciation of property and equipment of RMB7.6 million, partially offset by (i) a decrease in prepayments and other receivables of RMB4.1 million and (ii) a decrease in trade receivables of RMB8.0 million.

Net Cash Used in Investing Activities

For 2013, our net cash used in investing activities was RMB158.4 million, primarily attributable to (i) pledged deposits of RMB120.0 million held at PRC banks as reserves for borrowings we secured offshore and (ii) purchase of property, plant and equipment and construction in progress of RMB43.4 million, primarily consisting of payments for our purchase of office space and server upgrades, partially offset by RMB13.4 million in interest received for our bank deposits and short-term investments.

For 2012, our net cash used in investing activities was RMB260.2 million, primarily attributable to (i) RMB164.7 million placed in term deposits over three months and available-for-sale financial assets, (ii) purchase of property and plant and equipment of RMB82.2 million, primarily consisting of payments for our purchase of office space and server upgrades and pledged deposits for borrowings from related parties of RMB22.3 million partially offset by RMB9.2 million in interest received for our bank deposits and short-term investments.

FINANCIAL INFORMATION

For 2011, our net cash used in investing activities was RMB171.5 million, primarily attributable to (i) RMB132.0 million placed in term deposits over three months and available-for-sale financial assets, (ii) purchase of property, plant and equipment and intangible assets and construction in progress of RMB14.5 million for purchases, primarily due to server upgrades.

Net Cash Generated from Financing Activities

For 2013, our net cash generated from financing activities was RMB15.6 million, attributable to proceeds from bank borrowings of RMB109.7 million, partially offset by (i) payments for repurchase of Series A Preferred Shares of RMB44.2 million and (ii) dividends of RMB49.6 million paid to our shareholders.

For 2012, our net cash generated from financing activities was RMB6.2 million, attributable to proceeds from related parties' borrowings of RMB22.0 million, partially offset by payments for repurchase of Series A Preferred Shares of RMB15.8 million.

For 2011, our net cash generated from financing activities was RMB50.8 million, which were proceeds from the issuance of our Series C Preferred Shares of RMB33.1 million and proceeds from borrowings from Intco International of RMB17.6 million.

Capital Expenditures and Commitments

Our capital expenditures consist of acquisition of property and equipment such as servers and computers and intangible assets of computer software. During the years ended December 31, 2011, 2012 and 2013, our total capital expenditures were RMB14.5 million, RMB82.5 million and RMB43.9 million, respectively. Capital expenditures for 2011 primarily consisted of server upgrades. Capital expenditures for 2012 primarily consisted of payments for our purchase of office space. Capital expenditures for 2013 primarily consisted of payments for our purchase of office space.

We lease buildings for daily operations under non-cancellable operating lease. The following table sets out our total commitments for future minimum lease payments under non-cancellable operating leases as of each date indicated:

| | As of December 31, | | |
|---|--------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Contracted | | | |
| No later than 1 year. | 18,406 | 20,615 | 15,305 |
| Later than 1 year and no later than 5 years. | 21,904 | 15,170 | 10,712 |
| Total | 40,310 | 35,785 | 26,017 |

FINANCIAL INFORMATION

Working Capital

We finance our working capital needs primarily through cash flow from operating activities. Taking into account the financial resources available to the Group, including cash flow from operating activities and the estimated net proceeds from the Global Offering, our Directors are of the view that, after due and careful inquiry, the Group has sufficient available working capital for our present requirements for at least the next twelve months from the date of this prospectus.

Cash and Cash Equivalents and Financial Assets/Term Deposits

Our cash and cash equivalents consist of cash at bank and cash on hand, and as of December 31, 2011, 2012 and 2013 amounted to RMB174.9 million, RMB136.6 million and RMB171.9 million, respectively. All cash in bank balances as of these dates were demand deposits and term deposits with initial terms of less than three months with weighted-average interest rates per annum of approximately 1.09%, 0.99% and 2.03%, respectively.

We had available-for-sale financial assets of RMB2.0 million, RMB146.4 million and RMB280.4 million as of December 31, 2011, 2012 and 2013, respectively. Available-for-sale financial assets typically consist of RMB-denominated principal-protected structured deposits with floating interest rates ranging from 3.0% to 6.0% per annum with maturity periods within one year offered by large state-owned commercial banks in China.

These structured deposits primarily consist of financial and wealth management products provided by national or regional commercial banks. Such financial products are not derivative financial instruments and they do not include any element of gearing or leverage which would increase the risk of the investments. These structured deposits we invest in are typically principal-protected and rated by the commercial banks providing them as low-risk financial products, and primarily have underlying elements consisting of highly rated, liquid financial assets such as government bonds and investment-grade bonds. We do not believe such investments have any liability exposure. All of our historical investments have been withdrawn in full when due.

We funded our investment in structured deposits using cash generated from our operations, for the purpose of earning a relatively higher rate of return on our cash on hand while maintaining our liquidity level. These structured deposit investments are short-term investments that typically have terms of less than three months. Upon the termination of the terms of such investments, we evaluate our cash flow and operational forecasts and reinvest the cash not immediately needed in our operations in financial products with similar terms. In 2012 and 2013, our monthly average investment amounts in such products were RMB93 million and RMB170 million, respectively, with a monthly average return on such products of approximately RMB288,000 and RMB637,000, respectively, and terms ranging from 7 to 52 days and 6 to 60 days, respectively.

In the years ended December 31, 2011, 2012 and 2013, we had total interest income from structured deposits of nil, RMB3.5 million and RMB7.6 million, which accounted for approximately nil, 2.2% and 3.7% of our adjusted net profit during those years.

FINANCIAL INFORMATION

We also had term deposits with initial terms of over three months in certain structured deposits with interest rates ranging from 3.1% to 4.1% per annum. These deposits were purchased from reputable state-owned financial institutes and regional financial institutions in China. As of December 31, 2011, 2012 and 2013, these deposits amounted to RMB131.7 million, RMB152.3 million and RMB21.9 million, respectively.

Our investment policy and strategies are formulated by our finance team. Our finance team is headed by our chief financial officer, who has extensive experience of 15 years in finance and risk management, including over three years as the chief financial officer of a US-listed public company. Other senior members of our finance department, including our financial controller, have significant experience in finance and risk management as well. We provide ongoing training to our finance staff to ensure that our financial reporting and risk management policies are well-observed and effectively implemented.

As our investments are typically short-term, principal-protected and low-risk financial products, our board of directors has authorized our chief executive officer and chief financial officer to review and approve potential investments. Investments of over RMB30,000 must be approved by our chief financial officer, and investments of over RMB100,000 must be approved by our chief executive officer.

With respect to capital management and investment planning, we aim to maintain sufficient working capital while meet the capital needs of our mid-to long-term business operations and investments. We also spend our efforts on increasing the returns on our capital investments while managing the risk level of our investment portfolio. We categorize our capital investments into three kinds: liquid capital, which includes current deposits, seven-day notice deposits and fixed deposits with terms less than three months; fixed deposits and financial product investments with terms longer than three months; and portfolios of fixed-term structured deposits with terms from three months to one year.

We primarily target low-risk, principal-protected investments. Our investments primarily consist of principal-protected financial products provided by leading state-owned banks in China. Our finance team regularly communicates with bank professionals to learn about the types of financial products available and their respective risk portfolios. These findings are reported to our financial controller, who assesses our operating cash requirements and investment needs to prepare a formal investment proposal to be approved by our chief financial officer and/or chief executive officer. Once the investment is made, our finance team monitors the performance of our investment decisions through maintaining investment management accounts cataloguing items such as investment date, maturity date and projected and actual returns and return rates, and reports their findings to our financial controller and chief financial officer. We also periodically communicate with bank professionals to learn about any potential or newly developed risks to strengthen our post-investment monitoring and management. Our investment strategy and policy and related procedures are based on and with reference to the investment best practices of leading listed companies. We will maintain our existing investment strategy and policy after the completion of the Global Offering.

FINANCIAL INFORMATION

Amounts Due from/to Related Parties

As of December 31, 2011, 2012 and 2013, we had (i) receivables due from Beijing Sina Internet Information Service Co., Ltd. of RMB0.5 million, RMB1.9 million and RMB4.7 million, respectively, (ii) receivables due from Shanghai Sina Advertising Co., Ltd. of RMB1.9 million, RMB3.1 million and RMB1.7 million, respectively, (iii) receivables due from Beijing Sina Advertising Co., Ltd. of RMB1.5 million, RMB69,000 and RMB46,000, respectively, and (iv) receivables due from SINA HK of nil, RMB0.8 million and RMB14,000, respectively. These receivables arose from advertisements these entities placed on our platform for their advertising customers.

As of December 31, 2011, 2012 and 2013, we had (i) payables due to Jinzhuo Hengbang Technology (Beijing) Co., Ltd. of RMB8.0 million, nil and nil, respectively, and (ii) payables due to Beijing Sina Internet Information Service Co., Ltd. of nil, RMB13.3 million and RMB5.3 million, respectively. These payables were all due to entities affiliated with Sina and arose from our outsourcing of information, technical and software development services to these entities.

As of December 31, 2012 and 2013, we had amounts due from Mr. Fu, our founder, of RMB7.2 million and RMB7.2 million, respectively. These balances mainly arose from advances to Mr. Fu made in 2012. This balance was fully settled in February 2014.

As of December 31, 2012 and 2013, we had loans from Sina.com Technology (China) Co., Ltd. of RMB22.3 million and RMB22.3 million, respectively, attributable to a US\$3.5 million loan from Sina. This balance was fully settled in January 2014.

With respect to the trade-related transactions with related parties set out in Note 34 to the Accountant's Report in Appendix I to this prospectus, our Directors confirm that (i) these transactions were conducted on normal commercial terms and/or terms not less favorable than terms available from independent third parties, which were considered fair, reasonable and in the interests of our Shareholders as a whole, and (ii) these transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

INDEBTEDNESS

Bank Loans and Other Borrowings

As of April 30, 2014, we had outstanding short-term borrowings of RMB30.8 million, consisting of attributable to a US\$5.0 million loan from Industrial and Commercial Bank of China (Europe) S.A. Amsterdam Branch ("**ICBC Amsterdam**") dated June 7, 2013. The maturity date of this loan is May 22, 2014 and the interest rate is 1.97% per annum. Industrial and Commercial Bank of China Limited Zhejiang Branch issued a financing bank guarantee for the loan in favor of ICBC Amsterdam, which was paid for by Hangzhou Tiange. This loan was settled at maturity. As of April 30, 2014, we also had long-term borrowings of RMB80.0 million, consisting of attributable to two separate loans of US\$6.5 million each from China Merchants Bank Co., Ltd., Hong Kong Branch ("**China Merchants Bank HK**") dated July 29,

FINANCIAL INFORMATION

2013 and August 16, 2013, respectively. The maturity dates of these loans are July 6, 2015 and July 24, 2015, respectively, and the interest rates are 2.45% and 2.44% per annum, respectively. China Merchants Bank Co., Ltd., Hangzhou Branch has issued financing bank guarantees for the loans in favor of China Merchants Bank HK, which was paid for by Hangzhou Tiange.

As of April 30, 2014, we had financial liabilities at fair value of convertible redeemable preferred shares of RMB577.1 million.

Other than the aforementioned, as of April 30, 2014, there were no material covenants on any of our outstanding debt and we did not have any bank loans, debt securities, borrowings, indebtedness or mortgages. As of April 30, 2014, we did not have any external financing plans, bank overdrafts or authorized debentures.

On May 27, 2014, Week8 HK obtained a US\$15.0 million loan from Industrial and Commercial Bank of China Limited Paris Branch. The maturity date of this loan is November 12, 2014 and the interest rate is the three month US dollar LIBOR interest rate plus 2.9%. This loan is guaranteed by Hangzhou Tiange in the form of a RMB100.0 million investment pledged as collateral with Industrial and Commercial Bank of China Limited Zhejiang Branch from May 20, 2014 to November 30, 2014 with an annualized interest rate of 3.9%.

Hire Purchase Commitments, Contingent Liabilities and Guarantees

As of the Latest Practicable Date, we did not have any unrecorded significant hire purchase commitments, contingent liabilities, guarantees or any litigation against us.

Off-balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments or arrangements.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as at the dates indicated:

| | As of December 31, | | |
|--|--------------------|------|------|
| | 2011 | 2012 | 2013 |
| Current ratio (times) ⁽¹⁾ | 3.3 | 2.4 | 2.0 |
| Adjusted return on equity (%) ⁽²⁾ | 49.1 | 37.0 | 44.4 |
| Adjusted return on total assets (%) ⁽³⁾ | 36.0 | 24.7 | 24.4 |

⁽¹⁾ Current ratio equals current assets divided by current liabilities.

⁽²⁾ Adjusted return on equity equals adjusted net profit for the year divided by adjusted equity at the end of the year, multiplied by 100%. Adjusted equity is total (deficits)/equity plus convertible redeemable preferred shares and redeemable ordinary shares as set out on our consolidated balance sheet.

⁽³⁾ Adjusted return on total assets equals adjusted net profit for the year divided by total assets at the end of the year and multiplied by 100%.

FINANCIAL INFORMATION

Current Ratio

Our current ratio decreased from 3.3 times as of December 31, 2011 to 2.4 times as at December 31, 2012, primarily due to a significant increase in other payables and accruals as a result of our expanding business and a decrease in our cash and cash equivalents as we placed cash from operations in financial assets and term deposits, partially offset by a significant increase in available-for-sale financial assets due to our increasing cash from operations. Our current ratio further decreased from 2.4 times as of December 31, 2012 to 2.0 times as of December 31, 2013 due to new borrowings and a dividend payable in 2013, partially offset by our increasing cash from operations, which resulted in an increase in restricted cash and cash and cash equivalents.

Adjusted Return on Equity

Our adjusted return on equity decreased from 49.1% for 2011 to 37.0% for 2012, primarily due to the significant increase in our adjusted equity as a result of the increased value of our Company outpacing the increase in our adjusted net profit. Our adjusted return on equity increased from 37.0% for 2012 to 44.4% for 2013, primarily due to the increase in our adjusted net profit as a result of our improved business and continued growth outpacing the increase in our adjusted equity, which was partially offset by a US\$20.0 million dividend declared in January 2013.

Adjusted Return on Total Assets

Our adjusted return on total assets decreased from 36.0% for 2011 to 24.7% for 2012, primarily due to the significant increase in our assets as a result of increased cash from operations and our expanding business. Our adjusted return on total assets decreased further from 24.7% for 2012 to 24.4% for 2013, primarily due to for the same reasons.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to various types of market risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Foreign Exchange Risk

Most of our subsidiaries' functional currencies are Renminbi, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to U.S. dollars. All of the transactions of our Company and overseas subsidiary are denominated and settled in our common functional currency, U.S. dollars. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our PRC subsidiaries when receiving or to receive foreign currencies from overseas cooperated counterparties. We do not hedge against any fluctuation in foreign currency.

FINANCIAL INFORMATION

Interest Rate Risk

We are exposed to interest risk because of investments held by us and classified as available-for-sale and the term deposits with an initial term over three months held by us.

The sensitivity analysis is determined based on the exposure to interest risk of available-for-sale financial assets and term deposits with an initial term over 3 months at the end of each reporting period. If the interest rate of the respective instruments held by our Group had been 10% higher/lower, the post-tax profit would have been approximately RMB0.2 million, RMB0.9 million and RMB1.1 million higher/lower, for the years ended December 31, 2011, 2012 and 2013, respectively.

Our Group's interest rate risk also arises from long-term borrowings and convertible redeemable preferred shares. The long-term borrowings were obtained at fixed rates and expose our Group to fair value interest rate risk. As of December 31, 2011, 2012 and 2013, if the interest rates on bank borrowings had been 10% higher/lower with all other variables held constant, profit before income tax for the years would have been nil, nil and approximately RMB0.1 million lower/higher, respectively, mainly as a result of higher/lower interest expense on bank borrowings. The liability component of the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares bears a feature of an interest compound annually upon redemption.

Price Risk

We are exposed to price risk in respect of convertible redeemable preferred shares and redeemable ordinary shares carried at fair value with changes in fair value recognized in the profit or loss. Fair value of convertible redeemable preferred shares and redeemable ordinary shares is affected by changes in our Group's equity value.

Credit Risk

The carrying amounts of cash and cash equivalents placed with banks and financial institutions, restricted cash, available-for-sale financial assets, term deposits with initial term of over three months, trade receivables, other receivables included in the Financial Information represent our Group's maximum exposure to credit risk in relation to its financial assets. The objective of our Group's measures to manage credit risk is to control potential exposure to recoverability problem.

To manage risk of bank deposits, deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

We had made term deposits with initial term of over three months in certain structured deposits with relatively higher interest rates with certain financial institutions. As of December 31, 2013, we had an outstanding investment in structured deposits which were bought from reputable state-owned financial institutions and regional financial institutions in the PRC. Management has exercised due care when making investment decision with focus only on low risk structured deposits. There has been no recent history of default in relation to this financial institution.

FINANCIAL INFORMATION

For trade receivables, a significant portion of trade receivables at the end of each of the years of Track Record Period was due from advertising agencies and third-party payment platforms that cooperate with our Group. If the strategic relationship with the advertising agencies and third-party payment platforms is terminated or scaled back; or if they alter the co-operative arrangements; or if they experience financial difficulties in paying us, our Group's advertising receivables might be adversely affected in terms of recoverability. To manage this risk, we maintain frequent communications with the advertising agencies and third-party payment platforms to ensure the effective credit control. In view of the sound history of cooperation and collectability of receivables due from these agencies and platforms, management believes that the credit risk inherent in our outstanding trade receivable balances due from these agencies and platforms is low.

For other receivables, management make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our management believes that there is no material credit risk inherent in our Group's outstanding balance of other receivables.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of our underlying businesses, our finance department maintains flexibility in funding by maintain adequate cash and cash equivalents.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Subject to the Cayman Islands Company Law and our Articles of Association, we may declare dividends in any currency through a general meeting, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Islands Company Law.

Except as provided under the terms of a particular issue, or with respect to the rights attached to any Shares, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls may for this purpose be treated as paid up on the Share; and (ii) all dividends will be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any of our Shareholders or in respect of any Shares all sums of money (if any) presently payable by such Shareholder to us on account of calls or otherwise.

FINANCIAL INFORMATION

In addition, the declaration of dividends is subject to the discretion of our Board, and the amounts of dividends actually declared and paid will also depend on:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which our Board may deem relevant.

In January 2013, we declared dividends of US\$20.0 million to holders of our ordinary shares, Series A Preferred Shares and Series B Preferred Shares, of which US\$7.8 million has been paid and US\$12.2 million which remained payable as of December 31, 2013 had been settled prior to the completion of the Global Offering.

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles. PRC laws also require PRC enterprises to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends.

Our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. We do not intend to declare dividends in the future from our PRC Operating Entities from their retained earnings as of December 31, 2013. Such earnings will be retained in the PRC Operating Entities to meet their business and operational needs. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Capitalization Issue and the Global Offering as if it had taken place on December 31, 2013 and based on the audited consolidated net tangible assets attributable to equity holders of our Company as of December 31, 2013 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

FINANCIAL INFORMATION

This unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Capitalization Issue and the Global Offering been completed as of December 31, 2013 or at any future date.

| | Audited Consolidated Net Tangible Liabilities of the Group Attributable to Owners of the Company as of December 31, 2013 | Estimated Net Proceeds from the Global Offering | Estimated Impact to the Net assets upon the Conversion of the Series B Preferred Shares | Unaudited Pro Forma Adjusted Net Tangible Assets Attributable to Owners of the Company | Unaudited Pro Forma Adjusted Net Tangible Assets per Ordinary Share | |
|---|---|--|--|---|--|------------------------|
| | Note 1 RMB'000 | Note 2 RMB'000 | Note 3 RMB'000 | RMB'000 | Note 4 RMB | Note 4 HK\$ |
| Based on an Offer Price of HK\$4.50 per share . . | (94,420) | 1,004,472 | 548,471 | 1,458,523 | 1.20 | 1.51 |
| Based on an Offer Price of HK\$5.30 per share . . | (94,420) | 1,197,703 | 548,471 | 1,651,754 | 1.36 | 1.71 |

Notes:

- The audited consolidated net tangible liabilities attributable to the owners of the Company as of December 31, 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as of December 31, 2013 of RMB88.6 million with an adjustment for the intangible assets as of December 31, 2013 of RMB5.9 million.
- The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$4.50 and HK\$5.30 per Share after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB7.0 million which have been accounted for prior to December 31, 2013) payable by the Company.
- Upon the completion of the Global Offering, 200,000,000 Series B Preferred Shares will be automatically converted to Ordinary Shares on a one-to-one basis under which the carrying amounts of the Series B Preferred Shares recorded as a liability of the Company will be transferred to the Company's equity.
- The unaudited pro forma adjusted net tangible assets per Share is arrived after adjustments referred to in the preceding paragraphs and on the basis of 304,267,000 Shares are in issue assuming that the Capitalization Issue and the Global Offering have been completed on December 31, 2013, but takes no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be allotted, issued or repurchased by the Company pursuant to the general mandate.
- No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2013.
- For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.2596. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2013, the date of the latest audited consolidated financial statements of our Group.

OUR CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with 10 cornerstone investors (the “**Cornerstone Investors**”) who have agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of approximately HK\$618.8 million.

Assuming an Offer Price of HK\$4.50 (being at the low end of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investors would be approximately 137,511,000, representing approximately (i) 45.19% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 11.30% of the Shares in issue upon completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 10.89% of the Shares in issue upon completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is fully exercised. Assuming an Offer Price of HK\$4.90 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investors would be approximately 126,286,000, representing approximately (i) 41.50% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 10.38% of the Shares in issue upon completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 10.00% of the Shares in issue upon completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is fully exercised. Assuming an Offer Price of HK\$5.30 (being at the high end of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investors would be approximately 116,754,000, representing approximately (i) 38.37% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 9.59% of the Shares in issue upon completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 9.25% of the Shares in issue upon completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is fully exercised.

Save for Qihoo 360 Technology Co. Ltd. described under “Our Cornerstone Investors – Qihoo 360 Technology Co., Ltd.” below, each of the Cornerstone Investors is an Independent Third Party. The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will have any representation on the Board or be a substantial Shareholder of our Company and will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investor agreements referred to below.

OUR CORNERSTONE INVESTORS

OUR CORNERSTONE INVESTORS

We set out below a brief description of our Cornerstone Investors:

Qihoo 360 Technology Co., Ltd.

Qihoo 360 Technology Co., Ltd. (“**Qihoo 360**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$5 million at the Offer Price. Assuming the Offer Price of HK\$4.50, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Qihoo 360 would subscribe for would be 8,612,000, representing approximately 0.71% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$4.90, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Qihoo 360 would subscribe for would be 7,909,000, representing approximately 0.65% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$5.30, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Qihoo 360 would subscribe for would be 7,312,000, representing approximately 0.60% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

Qihoo 360 was incorporated in the Cayman Islands as an exempted limited liability company in 2005. Qihoo 360 is a leading Internet company in China. It is also the number one provider of Internet and mobile security products in China as measured by its user base, according to iResearch. Qihoo 360 also provides users with secure access points to the Internet via its market leading web browsers and application stores. It has built one of the largest open Internet platforms in China and monetizes its massive user base primarily through online advertising and through Internet value-added services on its open platform. Qihoo 360 is listed on the New York Stock Exchange (Stock Code: QIHU).

As Beijing Star World, a VIE of Qihoo 360, owns 49% of equity interest in Tianhu, an insignificant subsidiary (as defined under the Listing Rules) of our Group, Qihoo 360 is a connected person to our Group at the date of this Prospectus. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09 of the Listing Rules in respect of the subscription by Qihoo 360. Please refer to the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Cornerstone Investment by Qihoo 360” in this prospectus for further details. However, pursuant to the amended rules relating to connected transactions and definitions of “connected person”, which will take effect from July 1, 2014, Qihoo 360 will no longer be a connected person of our Group as of the Listing Date and hence, any Shares to be held by Qihoo 360 will constitute part of the public float.

OUR CORNERSTONE INVESTORS

Atlantis Investment Management (Hong Kong) Ltd.

Atlantis Investment Management (Hong Kong) Ltd. 西京投資管理(香港)有限公司 (“**Atlantis**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$10 million at the Offer Price. Assuming the Offer Price of HK\$4.50, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Atlantis would subscribe for (as agent for the Atlantis Clients (as defined below)) would be 17,225,000, representing approximately 1.42% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$4.90, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Atlantis would subscribe for (as agent for the Atlantis Clients (as defined below)) would be 15,819,000, representing approximately 1.30% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$5.30, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Atlantis would subscribe for (as agent for the Atlantis Clients (as defined below)) would be 14,625,000, representing approximately 1.20% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

Atlantis was incorporated as a private company with limited liability in Hong Kong in February 1997. It is licensed by the Securities and Futures Commission of Hong Kong to undertake Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities. Atlantis is also registered as an investment adviser with the U.S. Securities and Exchange Commission. It specialises in the provision of investment advice and research to its clients in relation to Asian securities. Its ultimate controlling shareholder is Yang Liu. Atlantis entered into the cornerstone investment agreement as agent on behalf of and in its capacity as discretionary investment manager to its clients, Atlantis China Star Fund Limited, Atlantis China Fund and Riverwood China Growth Fund (the “**Atlantis Clients**”). Each of the Atlantis Clients is an Independent Third Party.

Brilliant Pegasus Investment Limited

Brilliant Pegasus Investment Limited (“**Brilliant Pegasus**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of HK\$130 million at the Offer Price. Assuming the Offer Price of HK\$4.50, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Brilliant Pegasus would subscribe for would be 28,888,000, representing approximately 2.37% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$4.90, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Brilliant Pegasus would subscribe for would be 26,530,000, representing approximately 2.18% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering

OUR CORNERSTONE INVESTORS

assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$5.30, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Brilliant Pegasus would subscribe for would be 24,528,000, representing approximately 2.02% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

Brilliant Pegasus Investment Limited was incorporated under the laws of the British Virgin Islands with limited liability in March 2014. Its principal activities include investment management, asset management, financial planning and consulting. Its controlling shareholder is Mr. Liu Shen, a private investor focusing on investments in TMT companies in the PRC.

Global Prosper Investments Limited

Global Prosper Investments Limited (“**Global Prosper**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$10 million at the Offer Price. Assuming the Offer Price of HK\$4.50, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Global Prosper would subscribe for would be 17,225,000, representing approximately 1.42% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$4.90, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Global Prosper would subscribe for would be 15,819,000, representing approximately 1.30% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$5.30, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Global Prosper would subscribe for would be 14,625,000, representing approximately 1.20% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

Global Prosper Investments Limited is incorporated in the British Virgin Islands with limited liability in March 2014. Its principal activities are investments and financial management. It is wholly-owned by Mr. Xi Shiwei, who is the chief executive officer of Teiron Network Technology Co., Ltd. (廣州鐵人網絡有限公司), a company which is principally engaged in the research, development and operations of iOS and android apps in the PRC.

Town Health Corporate Advisory and Investments Limited

Town Health Corporate Advisory and Investments Limited 康健企業諮詢及投資有限公司 (“**Town Health**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of HK\$78 million at the Offer Price. Assuming the Offer Price of HK\$4.50, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Town Health would subscribe for would be 17,333,000, representing approximately 1.42% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering

OUR CORNERSTONE INVESTORS

assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$4.90, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Town Health would subscribe for would be 15,918,000, representing approximately 1.31% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$5.30, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Town Health would subscribe for would be 14,716,000, representing approximately 1.21% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

Town Health Corporate Advisory and Investments Limited is a company incorporated with limited liability in Hong Kong in November 2004 and an indirectly wholly-owned subsidiary of Town Health International Medical Group Limited (“**TH Medical Group**”), which is listed on the Hong Kong Stock Exchange (stock code: 3886). TH Medical Group is principally engaged in (i) healthcare business investments; (ii) provision and management of healthcare and related services; and (iii) properties and securities investments and trading. TH Medical Group is one of the largest and leading private healthcare institutes in Hong Kong with an extensive network of clinics in Hong Kong and the PRC. TH Medical Group offers a diversified range of general practice, special and multidisciplinary healthcare services, involving family medicine and specialty medicine, dentistry, paramedical services and preventive healthcare services.

Golden Worldwide Holdings Limited

Golden Worldwide Holdings Limited (“**Golden Worldwide**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$10 million at the Offer Price. Assuming the Offer Price of HK\$4.50, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Golden Worldwide would subscribe for would be 17,225,000, representing approximately 1.42% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$4.90, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Golden Worldwide would subscribe for would be 15,819,000, representing approximately 1.30% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$5.30, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Golden Worldwide would subscribe for would be 14,625,000, representing approximately 1.20% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

Golden Worldwide Holdings Limited is a company incorporated in the British Virgin Islands with limited liability in May 2014 and is principally engaged in investment in information technology and Internet related projects in their early phases. It is directly wholly-owned by Ms. Chen Zhiying, who is a partner of Shanghai Success Capital & Management Centre (上海立功股權投資管理中心), a company whose principal activities are private equity and venture capital investments.

OUR CORNERSTONE INVESTORS

Golden Worldwide may obtain external financing from Haitong International (or its affiliates) to finance its subscription of the Shares. The loan, if obtained, will be on normal commercial terms after arm's length negotiations. All or some of the Shares to be subscribed by Golden Worldwide may be charged to Haitong International (or its affiliates) as security for such loan. Golden Worldwide may be required to repay such loan before its maturity following the occurrence of certain customary events of default. Haitong International (or its affiliates) may therefore have the right to enforce its security interest in the Shares to be subscribed by Golden Worldwide at any time from and including the Listing Date upon the occurrence of certain customary events of default. The Shares charged as security to such loan is subject to the restrictions on disposals of the Shares subscribed by Golden Worldwide as described under the heading "Restrictions on Disposal of Shares by the Cornerstone Investors" below.

Mr. Hu Jian

Mr. Hu Jian ("Mr. Hu") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$5 million at the Offer Price. Assuming the Offer Price of HK\$4.50, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Mr. Hu would subscribe for would be 8,612,000, representing approximately 0.71% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$4.90, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Mr. Hu would subscribe for would be 7,909,000, representing approximately 0.65% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$5.30, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Mr. Hu would subscribe for would be 7,312,000, representing approximately 0.60% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

Mr. Hu Jian is a professional investor, focusing on investments in the PRC. He is the second largest shareholder of Qinghai Huzhu Barley Wine Co., Ltd. (青海互助青稞酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002646).

AmTRAN Technology Co., Ltd.

AmTRAN Technology Co., Ltd. ("AmTRAN") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$3 million at the Offer Price. Assuming the Offer Price of HK\$4.50, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that AmTRAN would subscribe for would be 5,167,000, representing approximately 0.42% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$4.90, being the mid-point of the Offer Price range

OUR CORNERSTONE INVESTORS

set out in this prospectus, the total number of Shares that AmTRAN would subscribe for would be 4,745,000, representing approximately 0.39% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$5.30, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that AmTRAN would subscribe for would be 4,387,000, representing approximately 0.36% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

AmTRAN is a company incorporated in Taiwan in August 1994 and listed on the Taiwan Stock Exchange (stock code: 2489). It is a leading global manufacturer of vertically-integrated specialized LCD TV, monitor, sound bar and entertainment, with headquarters in Taiwan. In addition, it has a strong market presence in the US through its investment in Vizio, a top three TV brand in North America, and strategic partnership with JVC. It is the primary ODM supplier to Vizio, and a key supplier to Sharp and JVC. Its major clients in the monitor segment include Acer, ASUS, HP and Viewsonic.

Shinyway International Education Group Limited

Shinyway International Education Group Limited (“**Shinyway**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$5 million at the Offer Price. Assuming the Offer Price of HK\$4.50, being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Shinyway would subscribe for would be 8,612,000, representing approximately 0.71% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$4.90, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Shinyway would subscribe for would be 7,909,000, representing approximately 0.65% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$5.30, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Shinyway would subscribe for would be 7,312,000, representing approximately 0.60% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

Shinyway is incorporated in Hong Kong as a company with limited liability in June 2010, and is principally engaged in education, training and cultural exchange. Its controlling shareholder is Zhejiang Shinyway Overseas Studies Co., Ltd., a company which offers consulting and tests preparation related to education abroad, as well as career planning advisory to students.

Mr. Li Ruijie

Mr. Li Ruijie (“**Mr. Li**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$5 million at the Offer Price. Assuming the Offer Price of HK\$4.50,

OUR CORNERSTONE INVESTORS

being the low end of the Offer Price range set out in this prospectus, the total number of Shares that Mr. Li would subscribe for would be 8,612,000, representing approximately 0.71% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$4.90, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Mr. Li would subscribe for would be 7,909,000, representing approximately 0.65% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$5.30, being the high end of the Offer Price range set out in this prospectus, the total number of Shares that Mr. Li would subscribe for would be 7,312,000, representing approximately 0.60% of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

Mr. Li is the Chairman and CEO of Shenzhen ZQGame Co., Ltd. (深圳中青寶互動網絡股份有限公司) (“**ZQGame**”), a company listed on the Shenzhen Stock Exchange (Stock Code: 300052). Founded in 2003 in Shenzhen, PRC, ZQ Game is a diversified internet and mobile network interactive entertainment content provider in China and globally. ZQ Game develops, operates and distributes its own products as well as third-party products. ZQ Game has four major product lines which include, but not limited, to client-end games, web-based games, mobile games and mobile social networking products.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Shares (including the Shares subscribed by the Cornerstone Investors), as well as other applicable waivers and approvals and that such waiver, approval or permission not having been revoked prior to the commencement of dealings in the Shares;
- (c) no laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees or rulings of any court, government, governmental or regulatory authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions (“**Laws**”) shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

OUR CORNERSTONE INVESTORS

- (d) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor in the respective cornerstone investment agreement are accurate and true in all respects and not misleading and that there is no material breach of the respective cornerstone investment agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed, covenanted and undertaken to the Company and the Joint Global Coordinators that without the prior written consent of the Company and the Joint Global Coordinators, the Investor will not, and will procure that any subsidiary of the Cornerstone Investor designated to hold the Shares acquired pursuant to the relevant cornerstone investment agreement will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date (the “**Lock-up Period**”), directly or indirectly, dispose of any Shares subscribed by the Cornerstone Investor or any interest in any company or entity holding any Shares subscribed by the Cornerstone Investor, including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the forgoing securities, nor will it agree or contract to, or publicly announce any intention to enter any such transaction described above.

After the expiry of the Lock-up Period, the Investor shall, subject to requirements under applicable Laws, be free to dispose of any Shares subscribed by the Cornerstone Investor, provided that (i) the Cornerstone Investor shall notify the Company and the Joint Global Coordinators in writing prior to the disposal; and (ii) the Cornerstone Investor will ensure that any such disposal does not create a disorderly or false market in the Shares and is otherwise in compliance with the SFO and all applicable Laws.

Each of the Cornerstone Investors has agreed and undertaken that, save with the prior written consent of the Company and the Joint Global Coordinators:

- (a) the aggregate holding (whether direct and indirect) of the relevant Cornerstone Investor and its associates in the total issued share capital of the Company shall be less than 10% (or such other percentage as provided in the Listing Rules from time to time for the definition of substantial shareholder or such other percentage as required by the Stock Exchange from time to time as constituting a member of the public) of the Company’s entire issued share capital at all times following the Listing Date; and
- (b) the aggregate holding (direct and indirect) of the relevant Cornerstone Investor and its associates in the total issued share capital of the Company shall not be such as to cause the total securities of the Company held by the public (as contemplated in the Listing Rules and interpreted by the Stock Exchange) to fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as may be approved by the Stock Exchange and applicable to the Company from time to time.

OUR CORNERSTONE INVESTORS

Each of the Cornerstone Investors shall not, and shall procure that none of its controlling shareholder(s), associates and their respective beneficial owners shall, apply for or place an order through the book building process for Shares in the Global Offering (other than the Shares subscribed by such Cornerstone Investor under the respective cornerstone investment agreement) or make an application for Shares in the Hong Kong Public Offering, except in circumstances where the Cornerstone Investor or its controlling shareholder(s), associates and/or their respective beneficial owners is acting as a nominee for a third party customer.

Pursuant to paragraph 4.2 of Practice Note 18 to the Listing Rules, if the total demand for shares in the Hong Kong Public Offering falls within a category which triggers a clawback mechanism, the number of Shares to be subscribed by each of the Cornerstone Investors may be deducted on a pro rata basis to satisfy the respective public demands under the Hong Kong Public Offering as stipulated under the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business – Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$4.90 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$1,387.0 million, after deduction of underwriting fees and commissions and other estimated expenses payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised.

If the Offer Price is fixed at HK\$5.30 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$121.6 million.

If the Offer Price is fixed at HK\$4.50 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK\$121.6 million.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 20%, or HK\$277.4 million, will be used for enhancing our research and development efforts, including improving our existing platform’s functionality, developing new social video communities, investing in technology infrastructure and improving network maintenance and safety;
- approximately 20%, or HK\$277.4 million, will be used to develop our mobile business related to our live social video platform and a multi-platform, cross-device user experience, which involves hiring experienced personnel in the mobile sector and increased research and development efforts;
- approximately 10%, or HK\$138.7 million, will be used to develop our mobile games business, including for additional research and development efforts in developing our own mobile games, outsourcing of game development and licensing of third-party games;
- approximately 20%, or HK\$277.4 million, will be used for expanding our marketing and promotion activities, including organizing additional sales and promotional events both online and offline and hiring additional sales and marketing personnel;
- approximately 20%, or HK\$277.4 million, will be used for potential acquisitions of technologies and complementary online businesses, such as in the live social video market and mobile games market, partnerships and licensing opportunities; as of the Latest Practicable Date, we have not identified any specific suitable target of acquisition;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 10%, or HK\$138.7 million, will be used to provide funding for our working capital and other general corporate purposes.

Our product development and business operating model requires flexibility in investment in the development of new live social video communities and other products and technologies to allow us to respond to changing user preferences and needs. Capital and resources are committed to a live social video community or other product or technology based on various factors, including the popularity and commercial viability of the product at a certain point in time. As such, initial development costs for new products and technologies are not substantial and research and development costs for new communities, products and technologies are incurred on a case-by-case basis, subject to adjustments based on market conditions and other factors. Therefore, estimated figures such as development costs and expected timeframes cannot be accurately determined and presented to potential investors in a meaningful fashion.

The use of proceeds shown above will be adjusted proportionally in the event that the final Offer Price is fixed at a higher or lower level compared to the midpoint of the offer price range or that the Over-allotment Option is exercised.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will invest the net proceeds in short-term demand deposits or money market instruments with reputable commercial banks in China or Hong Kong.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers

UBS AG, Hong Kong Branch
China International Capital Corporation Hong Kong Securities Limited
Haitong International Securities Company Limited
Jefferies Hong Kong Limited
CMB International Capital Limited

Co-Lead Manager

China Galaxy International Securities (Hong Kong) Co., Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 30,428,000 Hong Kong Offer Shares and the International Offering of initially 273,839,000 International Offer Shares, subject, in each case, to reallocate on the basis as described in the section headed “Structure of the Global Offering” in this prospectus as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option and any Shares that may be issued pursuant to the exercise of options that are granted under the Pre-IPO Share Option Scheme) and (ii) to certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Joint Global

UNDERWRITING

Coordinators (on behalf of the Hong Kong Underwriters) and the Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst others, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (A) there shall develop, occur, exist or come into effect:
 - (a) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in the PRC, Hong Kong, the United States, the United Kingdom, the European Union (or any member thereof), Japan or the Cayman Islands; or
 - (b) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting the PRC, Hong Kong, the United States, the United Kingdom, the European Union (or any member thereof), Japan or the Cayman Islands; or
 - (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

UNDERWRITING

- (d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), the United States, the United Kingdom, the PRC, the Cayman Islands, the European Union (or any member thereof) or Japan, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
- (e) any new laws or regulations, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws or regulations, in each case, in or affecting Hong Kong, the PRC, the United States, the Cayman Islands, the United Kingdom, the European Union (or any member thereof) or Japan; or
- (f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC; or
- (g) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) or the implementation of any exchange control, in Hong Kong, the PRC, the United States, the Cayman Islands, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of the Group; or
- (h) any litigation, claim or legal action of any third party being threatened or instigated against any member of our Group; or
- (i) a Director or senior management being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (j) our chairman or chief executive officer or other senior management of the Company vacating his or her office; or
- (k) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director or any other officer of the Company; or
- (l) a contravention by any member of our Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or other applicable laws or regulations; or

UNDERWRITING

- (m) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (n) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws or regulations; or
- (o) any change or prospective change in, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (p) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior consent of the Joint Global Coordinators; or
- (q) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Hong Kong Public Offering and/or the Global Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Applications Forms, this prospectus and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting), the Hong Kong Public Offering or the Global Offering incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

UNDERWRITING

- (B) there has come to the notice of the Joint Global Coordinators:
- (a) that any statement contained in any of the Applications Forms, this prospectus and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Applications Forms, this prospectus and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of Applications Forms, this prospectus and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
 - (c) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (d) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
 - (e) any adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or
 - (f) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of the warrantors under the Hong Kong Underwriting Agreement; or

UNDERWRITING

- (g) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option under the Global Offering and any Shares that may be issued pursuant to the exercise of options that are granted under the Pre-IPO Share Option Scheme) is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) any of the experts named in the paragraph headed “Other Information – 6. Qualifications of experts” in Appendix IV to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings

By the Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our securities first commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering, the Over-allotment Option or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that except for the offer and issue of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the expiry of six months from the Listing Date (the “**First Six-Month Period**”), we will not, and we will procure each other member of our Group not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party

UNDERWRITING

claim, right, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depository in connection with the issue of depository receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares, debt capital or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce, or publicly disclose, any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other equity securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), we enter into any of the transactions specified in paragraph (a), (b) or (c) above or offer to or agree to or announce, or publicly disclose, any intention to effect any such transaction, we have undertaken to take all reasonable steps to ensure that such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of the Company.

UNDERWRITING

By the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to us and the Stock Exchange that, except pursuant to the Global Offering (including any transaction as contemplated under the Stock Borrowing Agreement), he, she or it shall not and shall procure that the relevant registered shareholder(s) of the Shares shall not:

- (i) in the period commencing on the date by reference to which disclosure of his, her or its shareholding in the Company is made in this prospectus and ending on the date on which the First Six-month Period expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or Encumbrances in respect of, any of those Shares or securities of the Company in respect of which he, she or it is shown by this prospectus to be the beneficial owner; and
- (ii) in the Second Six-Month Period dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or Encumbrances in respect of, any of the Shares or securities referred to in the immediately preceding paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he, she or it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Further, each of the Controlling Shareholders has undertaken to us and the Stock Exchange that he, she or it will, within the period commencing on the date by reference to which disclosure of his, her or its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:

- (i) upon any pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or securities or interests in the Shares or securities of the Company beneficially owned by him, her or it for a bona fide commercial loan, immediately inform the Company, the Joint Global Coordinators and the Joint Sponsors in writing of such pledge or charge together with the number of such Shares or securities so pledged or charged; and
- (ii) upon any indication received by him, her or it, either verbal or written, from any pledgee or chargee of Shares or other securities of the Company pledged or charged that any of the pledged or charged Shares or securities or interests in the Shares or securities of the Company will be disposed of, immediately inform the Company and the Joint Global Coordinators and the Joint Sponsors in writing of such indication.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

UNDERWRITING

Under the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of us, the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) he or it will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly (including by way of altering the composition or classes or beneficiaries of any trust), conditionally or unconditionally, any Shares or other securities of the Company or, to the extent applicable, shares or other securities of Blueberry Worldwide Holdings Limited or of Cloud Investment Holding Limited or any interest respectively therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or, to the extent applicable, shares of Blueberry Worldwide Holdings Limited or of Cloud Investment Holding Limited), or deposit any Shares or other securities of the Company or shares or other securities of Blueberry Worldwide Holdings Limited or of Cloud Investment Holding Limited with a depository in connection with the issue of depository receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or, to the extent applicable, shares or other securities of Blueberry Worldwide Holdings Limited or of Cloud Investment Holding Limited or any interest respectively therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or, to the extent applicable, shares of Blueberry Worldwide Holdings Limited or of Cloud Investment Holding Limited), or (c) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a) or (b) above, or (d) offer to or agree to or announce, or publicly disclose, any intention to effect any transaction specified in sub-paragraph (a), (b) or (c) above, in each case, whether any of the transactions specified in sub-paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of Blueberry Worldwide Holdings Limited or of Cloud Investment Holding Limited, or in cash or otherwise (whether or not the issue of such Shares or other securities of the Company or Shares or other securities of Blueberry Worldwide Holdings Limited or of Cloud Investment Holding Limited will be completed within the First Six-Month Period);
- (ii) he or it will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraph (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce, or publicly disclose, any intention to effect any

UNDERWRITING

such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he or it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

- (iii) until the expiry of the Second Six-Month Period, in the event that he or it enters into any of the transactions specified in sub-paragraph (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to effect any such transaction, he or it will ensure that he or it will not create a disorderly or false market in the securities of the Company.

By other Shareholders

Each of SINA HK, IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. has undertaken to each of us, the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, it will not at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a), (b) or (c) above, in each case, whether any of the transactions specified in sub-paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company, or in cash or otherwise (whether or not the issue of such Shares or other securities of the Company, will be completed within the First Six-Month Period).

Each of the Controlling Shareholders, SINA HK, IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. has further undertaken to us, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters in terms similar to those contemplated by Note (3) to Rule 10.07(2) of the Listing Rules, and that he or it will procure the Company to procure that none of the Directors nor their respective associates (as defined in the Listing Rules) will apply for any of the Offer Shares pursuant to the Global Offering, either directly or indirectly, whether in his, her or its own name or through nominees unless permitted to do so under the Listing Rules and having obtained confirmation to that effect.

UNDERWRITING

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in the Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company.

Following the completion of the Capitalization Issue and the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, it is expected that the International Underwriters would, severally and not jointly, agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 45,640,000 Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

UNDERWRITING

Commissions and Expenses and Joint Sponsors' Fee

We will pay the Hong Kong Underwriters an underwriting commission equal to the sum of (i) 1.5% of the aggregate Offer Price in respect of all the Hong Kong Offer Shares and (ii) a fixed amount of US\$450,000, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay the underwriting commission attributable to such reallocated Hong Kong Offer Shares to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters). The underwriting commission was determined between our Company and the Underwriters after arm's length negotiations with reference to current market conditions.

The aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK\$113 million (assuming (i) an Offer Price of HK\$4.90 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), and (ii) the Over-allotment Option is not exercised at all), are payable and borne by the Company.

An amount of US\$1.0 million is payable by the Company as sponsor fees to each of the Joint Sponsors, totalling an amount of US\$2.0 million.

Other Services provided by Underwriters

The Joint Global Coordinators and Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this prospectus. Such Joint Global Coordinators and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of the Shares.

INDEPENDENCE OF THE JOINT SPONSORS

UBS Trustees (BVI) Limited, an affiliate of UBS Securities Hong Kong Limited, is the trustee of Mr. Fu's Trust and Mr. Fu Yanchang's Trust and holds the entire issued share capital of Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited through Three-Body Holdings Ltd and Star Wonder Holding Ltd, respectively. Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited hold 306,000,000 Shares and 34,000,000 Shares in our Company, respectively, representing approximately 25.14% and 2.79%, respectively in the issued share capital of the Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised). In such circumstance, UBS Securities Hong Kong Limited does not satisfy the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules. CICC satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

UNDERWRITING

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 30,428,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the section headed “– The Hong Kong Public Offering” below; and
- (b) the International Offering of an aggregate of 273,839,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the Securities Act.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 30,428,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering will represent approximately 2.5% of the enlarged share capital of the Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options or Post-IPO Share Options or pursuant to the Post-IPO RSU Scheme).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed “– Conditions of the Global Offering” below.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 15,214,000 and 15,214,000, respectively. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 15,214,000 Hong Kong Offer Shares (being 50% of the 30,428,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 30,428,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering;

STRUCTURE OF THE GLOBAL OFFERING

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 91,282,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 121,708,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 152,134,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate. If the International Offering is not fully subscribed, the Joint Global Coordinators may decide in their absolute discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$5.30 per Offer Share plus brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “– Pricing and Allocation” below, is less than the maximum price of HK\$5.30 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an initial offering of 273,839,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “– Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 45,640,000 Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Wednesday, July 30, 2014, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting on their behalf may cover such over-allocation by, among other methods, using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 45,640,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 45,640,000 Shares from Blueberry Worldwide Holdings Limited pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Listing Rule 10.07(3).

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date, which is expected to be on or about Monday, June 30, 2014 and in any event no later than Friday, July 4, 2014.

The Offer Price will not be more than HK\$5.30 per Offer Share and is expected to be not less than HK\$4.50 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (www.tiange.com) and the website of the Stock Exchange (www.hkexnews.hk) notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

STRUCTURE OF THE GLOBAL OFFERING

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, July 8, 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (www.tiange.com) and the website of the Stock Exchange (www.hkexnews.hk).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including pursuant to the exercise of the Over-allotment Option and any Shares that may be allotted and issued pursuant to the exercise of any options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, and the Shares to be issued under the Post-IPO RSU Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date;

STRUCTURE OF THE GLOBAL OFFERING

- (c) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Friday, July 4, 2014, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.tiange.com on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional (including the Underwriting Agreements not having been terminated in accordance with their terms at any time prior to 8:00 a.m. on the Listing Date).

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, and the Shares to be issued under the Post-IPO RSU Scheme).

No part of the Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

STRUCTURE OF THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. on Wednesday, July 9, 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, July 9, 2014. The Shares will be traded in board lots of 1,000 Shares. The stock code of the Shares is 1980.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Capitalization Issue and the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, June 25, 2014 until 12:00 noon on Monday, June 30, 2014 from:

- (1) any of the following offices of the Hong Kong Underwriters:

UBS AG, Hong Kong Branch 52/F, Two International Finance Centre,
8 Finance Street, Central, Hong Kong

China International Capital 29/F, One International Finance Centre,
Corporation Hong Kong 1 Harbour View Street, Central, Hong Kong
Securities Limited

HOW TO APPLY FOR HONG KONG OFFER SHARES

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| Haitong International Securities Company Limited | 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong |
| Jefferies Hong Kong Limited | Suite 2201, 22/F Cheung Kong Center, 2 Queen's Road Central, Hong Kong |
| CMB International Capital Limited | Units 1803-4, 18th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong |
| China Galaxy International Securities (Hong Kong) Co., Limited | Unit 3501, 3513-14, 35/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong |

(2) or any of the following branches of:

(a) Standard Chartered Bank (Hong Kong) Limited

| <u>District</u> | <u>Branch name</u> | <u>Branch address</u> |
|-------------------------|-------------------------|--|
| Hong Kong Island | Wanchai Southorn Branch | Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai |
| | Quarry Bay Branch | G/F, Westlands Gardens, 1027 King's Road, Quarry Bay |
| Kowloon | Tsimshatsui Branch | G/F, 8A-10 Granville Road, Tsimshatsui |
| | Cheung Sha Wan Branch | G/F, 828 Cheung Sha Wan Road, Cheung Sha Wan |
| | San Po Kong Branch | Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong |
| | Telford Gardens Branch | Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong |

HOW TO APPLY FOR HONG KONG OFFER SHARES

| <u>District</u> | <u>Branch name</u> | <u>Branch address</u> |
|------------------------|--------------------------|--|
| New Territories | Tsuen Wan Branch | Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan |
| | Metroplaza Branch | Shop No. 175 – 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung |
| | New Town Plaza Branch | Shop 215, 222 & 223, Phase 1, New Town Plaza, Shatin |

(b) Bank of Communications Co., Ltd. Hong Kong Branch

| <u>District</u> | <u>Branch name</u> | <u>Branch address</u> |
|-------------------------|-----------------------------|---|
| Hong Kong Island | Chaiwan Sub-Branch | G/F., 121-121A Wan Tsui Road, Chaiwan |
| | Taikoo Shing Sub-Branch | Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road |
| Kowloon | Kowloon Sub-Branch | G/F., 563 Nathan Road |
| | Kwun Tong Sub-Branch | Shop A, G/F., Hong Ning Court, 55 Hong Ning Road, Kwun Tong |
| | Shamshuipo Sub-Branch | Shop G1, G/F., Golden Centre, 94 Yen Chow Street, Sham Shui Po |
| New Territories | Tseung Kwan O Sub-Branch | Shop 253-255, Metro City Shopping Arcade, Phase I, Tseung Kwan O |
| | Tai Po Sub-Branch | Shop No.1, G/F., Wing Fai Plaza, 29-35 Ting Kok Road, Tai Po |

HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, June 25, 2014 until 12:00 noon on Monday, June 30, 2014 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited – Tian Ge Interactive Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Wednesday, June 25, 2014 – 9:00 a.m. to 5:00 p.m.
Thursday, June 26, 2014 – 9:00 a.m. to 5:00 p.m.
Friday, June 27, 2014 – 9:00 a.m. to 5:00 p.m.
Saturday, June 28, 2014 – 9:00 a.m. to 1:00 p.m.
Monday, June 30, 2014 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, June 30, 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund check(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply for Hong Kong Offer Shares” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company.

If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, June 25, 2014 until 11:30 a.m. on Monday, June 30, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, June 30, 2014 or such later time under the “Effects of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Tian Ge Interactive Holdings Limited” **White Form eIPO** application submitted via the www.eipo.com.hk to support the funding of “Source of DongJiang – Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

| | |
|---------------------------------|--|
| Wednesday, June 25, 2014 | – 9:00 a.m. to 8:30 p.m.⁽¹⁾ |
| Thursday, June 26, 2014 | – 8:00 a.m. to 8:30 p.m.⁽¹⁾ |
| Friday, June 27, 2014 | – 8:00 a.m. to 8:30 p.m.⁽¹⁾ |
| Saturday, June 28, 2014 | – 8:00 a.m. to 1:00 p.m.⁽¹⁾ |
| Monday, June 30, 2014 | – 8:00 a.m.⁽¹⁾ to 12:00 noon |

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, June 25, 2014 until 12:00 noon on Monday, June 30, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, June 30, 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, June 30, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple application for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering – Pricing and Allocation”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, June 30, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the application lists do not open and close on Monday, June 30, 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, July 8, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at www.tiange.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.tiange.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, July 8, 2014;
- from the designated results of allocations website at www.iporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, July 8, 2014 to 12:00 midnight on Monday, July 14, 2014;
- by telephone enquiry line by calling 28628669 between 9:00 a.m. and 10:00 p.m. from Tuesday, July 8, 2014 to Friday, July 11, 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, July 8, 2014 to Thursday, July 10, 2014 at all the receiving bank branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$5.30 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, July 8, 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or before Tuesday, July 8, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Wednesday, July 9, 2014 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, July 8, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, July 8, 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above.

If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on Tuesday, July 8, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Tuesday, July 8, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS Investor Participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, July 8, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, July 8, 2014, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund checks.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, July 8, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, July 8, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, July 8, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, July 8, 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, July 8, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, July 8, 2014.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

June 25, 2014

The Directors
Tian Ge Interactive Holdings Limited

UBS Securities Hong Kong Limited

China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

We report on the financial information of Tian Ge Interactive Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as of December 31, 2011, 2012 and 2013, the balance sheets of the Company as of December 31, 2011, 2012 and 2013, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statement of cash flows for each of the years ended December 31, 2011, 2012 and 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated June 25, 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on July 28, 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands.

As of the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same

characteristics as a Hong Kong incorporated private company. The audited financial statements of the companies now comprising the Group as of the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRS. The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) in accordance with International Standards on Auditing (the “ISA”) issued by the International Auditing and Assurance Standards Board (“IAASB”) pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as of December 31, 2011, 2012 and 2013, and of the Group's results and cash flows for the Relevant Periods then ended.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as of December 31, 2011, 2012 and 2013, and for each of the years ended December 31, 2011, 2012 and 2013 (the "Financial Information").

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

| | Section II Note | Year Ended December 31, | | |
|--|--------------------|-------------------------|-----------------|-----------------|
| | | 2011 RMB'000 | 2012 RMB'000 | 2013 RMB'000 |
| Revenue | 5 | 384,442 | 455,768 | 548,240 |
| Cost of revenue | 6 | (48,185) | (52,312) | (68,145) |
| Gross profit | | <u>336,257</u> | <u>403,456</u> | <u>480,095</u> |
| Selling and marketing expenses | 6 | (125,414) | (169,543) | (166,665) |
| Administrative expenses | 6 | (37,965) | (44,351) | (53,268) |
| Research and development expenses. | 6 | (39,443) | (56,717) | (69,096) |
| Other gains, net | 7 | 6,429 | 30,441 | 35,399 |
| Operating profit | | <u>139,864</u> | <u>163,286</u> | <u>226,465</u> |
| Finance income | 9 | 1,594 | 1,546 | 37,101 |
| Finance costs | 9 | (143) | (7,168) | (36,699) |
| Finance income/(costs), net | 9 | 1,451 | (5,622) | 402 |
| Fair value loss of convertible redeemable preferred shares and redeemable ordinary shares | 30 | (216,601) | (172,949) | (283,298) |
| Loss before income tax | | <u>(75,286)</u> | <u>(15,285)</u> | <u>(56,431)</u> |
| Income tax expense | 10 | (5,320) | (11,948) | (36,178) |
| Loss for the year | | <u>(80,606)</u> | <u>(27,233)</u> | <u>(92,609)</u> |
| Item that may be reclassified subsequently to profit or loss: Currency translation differences | | 13,674 | 1,302 | 14,577 |
| Total comprehensive loss for the year | | <u>(66,932)</u> | <u>(25,931)</u> | <u>(78,032)</u> |
| Loss Attributable to: | | | | |
| – Shareholders of the Company . . | | (80,606) | (27,233) | (92,602) |
| – Non-controlling interests | | – | – | (7) |
| | | <u>(80,606)</u> | <u>(27,233)</u> | <u>(92,609)</u> |
| Total comprehensive loss attributable to: | | | | |
| – Shareholders of the Company . . | | (66,932) | (25,931) | (78,025) |
| – Non-controlling interests | | – | – | (7) |
| | | <u>(66,932)</u> | <u>(25,931)</u> | <u>(78,032)</u> |
| Loss per share (expressed in RMB per share) | 11 | | | |
| – Basic | | (2.37) | (0.43) | (1.45) |
| – Diluted | | (2.37) | (0.43) | (1.45) |
| Dividends | 12 | – | – | 88,512 |

CONSOLIDATED BALANCE SHEETS

| | Section II | As of December 31, | | |
|---|------------|-------------------------|-----------------------|------------------------|
| | | 2011 | 2012 | 2013 |
| | | RMB'000 | RMB'000 | RMB'000 |
| Assets | | | | |
| Non-current assets | | | | |
| Property and equipment | 13 | 18,552 | 20,302 | 16,736 |
| Intangible assets | 15 | 8,581 | 7,158 | 5,864 |
| Investment in associates | 17 | – | – | 4,900 |
| Available-for-sale financial assets . . | 20 | 2,000 | 2,000 | 2,300 |
| Prepayments and other receivables . . | 19 | 2,316 | 72,759 | 110,737 |
| Deferred income tax assets | 31 | 13,491 | 33,186 | 24,348 |
| Restricted cash | 21 | – | – | 87,000 |
| | | <u>44,940</u> | <u>135,405</u> | <u>251,885</u> |
| Current assets | | | | |
| Trade receivables | 18 | 10,442 | 10,516 | 20,804 |
| Prepayments and other receivables . . | 19 | 26,980 | 61,984 | 66,788 |
| Available-for-sale financial assets . . | 20 | – | 144,402 | 278,140 |
| Term deposits with initial term of over 3 months | | 131,666 | 152,336 | 21,873 |
| Cash and cash equivalents | 21 | 174,944 | 136,637 | 171,896 |
| Restricted cash | 21 | – | – | 33,000 |
| | | <u>344,032</u> | <u>505,875</u> | <u>592,501</u> |
| Total assets | | <u><u>388,972</u></u> | <u><u>641,280</u></u> | <u><u>844,386</u></u> |
| Equity and liabilities | | | | |
| Equity attributable to shareholders of the Company | | | | |
| Share capital | 22 | 23 | 42 | 42 |
| Reserves | 23 | 36,958 | 272,730 | 205,408 |
| Accumulated deficits | | (172,336) | (200,346) | (294,006) |
| Non-controlling interests | | – | – | 4,897 |
| Total equity/(deficits) | | <u><u>(135,355)</u></u> | <u><u>72,426</u></u> | <u><u>(83,659)</u></u> |

| | Section II Note | As of December 31, | | |
|--|--------------------|--------------------|-----------------|-----------------|
| | | 2011 RMB'000 | 2012 RMB'000 | 2013 RMB'000 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Borrowings | 29 | – | – | 79,260 |
| Convertible redeemable preferred shares | 30 | 349,196 | 355,162 | 548,471 |
| Redeemable ordinary shares | 30 | 71,017 | – | – |
| Deferred income tax liabilities | 31 | 1,102 | 856 | 595 |
| | | <u>421,315</u> | <u>356,018</u> | <u>628,326</u> |
| Current liabilities | | | | |
| Trade payables | 27 | 12,912 | 21,320 | 13,883 |
| Other payables and accruals | 28 | 63,446 | 125,759 | 114,631 |
| Income tax liabilities | | 10,281 | 34,945 | 42,532 |
| Dividend payable | | – | – | 74,161 |
| Borrowings | 29 | – | – | 30,485 |
| Customer advance and deferred revenue | 26 | 16,373 | 30,812 | 24,027 |
| | | <u>103,012</u> | <u>212,836</u> | <u>299,719</u> |
| Total liabilities | | <u>524,327</u> | <u>568,854</u> | <u>928,045</u> |
| Total equity and liabilities | | <u>388,972</u> | <u>641,280</u> | <u>844,386</u> |
| Net current assets | | <u>241,020</u> | <u>293,039</u> | <u>292,782</u> |
| Total assets less current liabilities . | | <u>285,960</u> | <u>428,444</u> | <u>544,667</u> |

BALANCE SHEETS – COMPANY

| | Section II Note | As of December 31, | | |
|--|--------------------|-------------------------|-------------------------|-------------------------|
| | | 2011 RMB'000 | 2012 RMB'000 | 2013 RMB'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | 15 | 6,353 | 5,366 | 4,264 |
| Investment in a subsidiary | 14 | 5,544 | 11,022 | 16,577 |
| | | <u>11,897</u> | <u>16,388</u> | <u>20,841</u> |
| Current assets | | | | |
| Amount due from a subsidiary | 14 | 76,424 | 79,695 | 36,761 |
| Prepayments and other receivables | 19 | 21 | 21 | 1,234 |
| Cash and cash equivalents | 21 | 320 | 3,143 | 73,170 |
| | | <u>76,765</u> | <u>82,859</u> | <u>111,165</u> |
| Total assets | | <u><u>88,662</u></u> | <u><u>99,247</u></u> | <u><u>132,006</u></u> |
| EQUITY | | | | |
| Share capital | 22 | 23 | 42 | 42 |
| Reserves | 23 | 20,661 | 255,421 | 185,523 |
| Accumulated deficits | 25 | (370,980) | (552,168) | (718,998) |
| Total deficits | | <u><u>(350,296)</u></u> | <u><u>(296,705)</u></u> | <u><u>(533,433)</u></u> |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Convertible redeemable preferred shares | 30 | 349,196 | 355,162 | 548,471 |
| Redeemable ordinary shares | 30 | 71,017 | – | – |
| Deferred income tax liabilities | 31 | 1,102 | 856 | 595 |
| | | <u>421,315</u> | <u>356,018</u> | <u>549,066</u> |
| Current liabilities | | | | |
| Other payables and accruals | 28 | 17,643 | 39,934 | 42,212 |
| Dividend payable | | – | – | 74,161 |
| | | <u>17,643</u> | <u>39,934</u> | <u>116,373</u> |
| Total liabilities | | <u><u>438,958</u></u> | <u><u>395,952</u></u> | <u><u>665,439</u></u> |
| Total equity and liabilities | | <u><u>88,662</u></u> | <u><u>99,247</u></u> | <u><u>132,006</u></u> |
| Net current assets/(liabilities) | | <u><u>59,122</u></u> | <u><u>42,925</u></u> | <u><u>(5,208)</u></u> |
| Total assets less current liabilities | | <u><u>71,019</u></u> | <u><u>59,313</u></u> | <u><u>15,633</u></u> |

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Section II Note | Equity attributable to shareholders of the company | | | Non- controlling interests | Total Equity/ (Deficits) | |
|---|--------------------|---|----------------|-------------------------|----------------------------------|--------------------------------|------------------|
| | | Share capital | Reserves | Accumulated deficits | | | Total |
| | | RMB'000 | RMB'000 | RMB'000 | | | RMB'000 |
| Balance at January 1, 2011 | | 23 | 11,818 | (84,171) | (72,330) | – | (72,330) |
| Comprehensive loss | | | | | | | |
| Loss for the year | | – | – | (80,606) | (80,606) | – | (80,606) |
| Other comprehensive income | | | | | | | |
| Currency translation differences | 23 | – | 13,674 | – | 13,674 | – | 13,674 |
| Total comprehensive income | | – | 13,674 | (80,606) | (66,932) | – | (66,932) |
| Share-based compensation | 8 | – | 3,907 | – | 3,907 | – | 3,907 |
| Profit appropriations to statutory reserves | 23 | – | 7,559 | (7,559) | – | – | – |
| Total transactions with owners, recognized directly in equity | | – | 11,466 | (7,559) | 3,907 | – | 3,907 |
| Balance at December 31, 2011 | | <u>23</u> | <u>36,958</u> | <u>(172,336)</u> | <u>(135,355)</u> | <u>–</u> | <u>(135,355)</u> |
| Comprehensive loss | | | | | | | |
| Loss for the year | | – | – | (27,233) | (27,233) | – | (27,233) |
| Other comprehensive income | | | | | | | |
| Currency translation differences | 23 | – | 1,302 | – | 1,302 | – | 1,302 |
| Total comprehensive income | | – | 1,302 | (27,233) | (25,931) | – | (25,931) |
| Share-based compensation | 8 | – | 5,478 | – | 5,478 | – | 5,478 |
| Conversion of Series C preferred shares and waiver of Series C ordinary shares redemption right | 1(b) | 19 | 228,215 | – | 228,234 | – | 228,234 |
| Profit appropriations to statutory reserves | 23 | – | 777 | (777) | – | – | – |
| Total transactions with owners, recognized directly in equity | | 19 | 234,470 | (777) | 233,712 | – | 233,712 |
| Balance at December 31, 2012 | | <u>42</u> | <u>272,730</u> | <u>(200,346)</u> | <u>72,426</u> | <u>–</u> | <u>72,426</u> |
| Comprehensive loss | | | | | | | |
| Loss for the year | | – | – | (92,602) | (92,602) | (7) | (92,609) |
| Other comprehensive income | | | | | | | |
| Currency translation differences | 23 | – | 14,577 | – | 14,577 | – | 14,577 |
| Total comprehensive income | | – | 14,577 | (92,602) | (78,025) | (7) | (78,032) |
| Share-based compensation | 8 | – | 5,555 | – | 5,555 | – | 5,555 |
| Appropriation of dividend | 12 | – | (88,512) | – | (88,512) | – | (88,512) |
| Non-controlling interests arising from establishment of a subsidiary | | – | – | – | – | 4,904 | 4,904 |
| Profit appropriations to statutory reserves | 23 | – | 1,058 | (1,058) | – | – | – |
| Total transactions with owners, recognized directly in equity | | – | (81,899) | (1,058) | (82,957) | 4,904 | (78,053) |
| Balance at December 31, 2013 | | <u>42</u> | <u>205,408</u> | <u>(294,006)</u> | <u>(88,556)</u> | <u>4,897</u> | <u>(83,659)</u> |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Section II Note | Year Ended December 31, | | |
|---|--------------------|-------------------------|-----------------------|-----------------------|
| | | 2011 RMB'000 | 2012 RMB'000 | 2013 RMB'000 |
| Cash flows from operating activities | | | | |
| Cash generated from operations | 32 | 182,080 | 222,884 | 198,349 |
| Income tax paid | | (4,787) | (7,224) | (22,000) |
| Net cash generated from operating activities | | <u>177,293</u> | <u>215,660</u> | <u>176,349</u> |
| Cash flows from investing activities | | | | |
| Purchase of and prepayment for property and equipment | | (12,271) | (82,239) | (43,393) |
| Proceeds from disposal of property and equipment | 32 | – | 62 | 40 |
| Purchase of intangible assets | | (2,221) | (239) | (476) |
| Payment of term deposits with initial term of over three months and available-for-sales financial assets | | (152,003) | (1,190,318) | (2,296,369) |
| Repayment for term deposits with initial term of over three months and available-for-sales financial assets | | 20,000 | 1,025,663 | 2,291,873 |
| Pledged deposits for borrowings | 29 | – | – | (120,000) |
| Investment in associates | 17 | – | – | (4,900) |
| Settlement of amounts due to related parties and employee | | (9,000) | – | – |
| Interest received | | 1,670 | 9,194 | 13,429 |
| Cash advance to an investment agent | 19 | (17,724) | – | – |
| Pledged deposits for borrowings from related parties | 19 | – | (22,274) | – |
| Cash receipt from other investing activities | | – | – | 1,400 |
| Net cash used in investing activities | | <u>(171,549)</u> | <u>(260,151)</u> | <u>(158,396)</u> |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings from related parties | 28 | – | 21,999 | – |
| Proceeds from borrowings from a third party | 28 | 17,643 | – | – |
| Proceeds from issuance of Series C Preferred Shares | | 33,114 | – | – |
| Payments for repurchase of Series A Preferred Shares | | – | (15,817) | (44,168) |
| Proceeds from bank borrowings | 29 | – | – | 109,745 |
| Interest paid | | – | – | (330) |
| Dividends paid to the Company's shareholders | | – | – | (49,630) |
| Net cash generated from financing activities | | <u>50,757</u> | <u>6,182</u> | <u>15,617</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>56,501</u> | <u>(38,309)</u> | <u>33,570</u> |
| Cash and cash equivalents at beginning of year | | 118,586 | 174,944 | 136,637 |
| Exchange (loss)/gain on cash and cash equivalents | | (143) | 2 | 1,689 |
| Cash and cash equivalents at end of year | | <u><u>174,944</u></u> | <u><u>136,637</u></u> | <u><u>171,896</u></u> |

II. NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION****(a) General Information**

Tian Ge Interactive Holdings Limited (the "Company"), was incorporated in the Cayman Islands on July 28, 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands as an investment holding company. The address of the Company's registered office is Floor 4, Willow House, Cricket Square PO Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in the operation of live social video platforms, mobile and online games and other products and services (the "Listing Business") in the People's Republic of China (the "PRC").

The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

(b) History of the Group

The Company was incorporated in the Cayman Islands on July 28, 2008 as an exempted company with an authorized share capital of US\$6,000 divided into 60,000,000 shares with a par value of US\$0.0001 each. In November 2008, the Company issued 3,400,000 ordinary shares to Mr. Fu Yanchang and 30,600,000 ordinary shares to Mr. Fu Zhengjun at par value of US\$0.0001 per share. In September 2012, Mr. Fu Zhengjun transferred all of the 30,600,000 ordinary shares of the Company held by him to Blueberry Worldwide Holdings Limited, a company incorporated in the British Virgin Islands and wholly owned by him, at par value. On the same day, Mr. Fu Yanchang transferred all of the 3,400,000 ordinary shares of the Company held by him to Cloud Investment Holding Limited, a company incorporated in the British Virgin Islands and wholly owned by him, at par value.

On December 18, 2008, C Squared Investment Inc. and C Squared Venture Capital Inc. (collectively "the Series A Preferred Shares Investors") subscribed for 15,000,000 convertible redeemable preferred shares (the "Series A Preferred Shares") of the Company at a consideration of US\$1,500,000.

On December 30, 2008, the Company acquired the entire share capital of 9158 International Co., Ltd., a limited liability company incorporated in the Cayman Islands, from the Series A Preferred Shares Investors, at a consideration of US\$1,815,000. Out of the consideration, US\$1,500,000 was offset against the amount owed by the Series A Preferred Shares Investors to the Company for the subscription of Series A Preferred Shares. As a result of the acquisition, 9158 International Co., Ltd. ("9158 International") became a wholly-owned subsidiary of the Company. In June 2011, 9158 International was subsequently dissolved as it no longer operated any business. The Company repurchased all of the 15,000,000 Series A Preferred Shares then held by the Series A Preferred Shares Investors during a period from January 2009 to April 2013. All the Series A Preferred Shares were cancelled immediately upon repurchase.

On December 30, 2008, IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P. (collectively "the Series B Preferred Shares Investors") subscribed for 10,000,000 Series B1 convertible redeemable preferred shares (the "Series B1 Preferred Shares") and, in addition, warrants to purchase up to 10,000,000 Series B2 convertible redeemable preferred shares (the "Series B2 Preferred Shares") of the Company at a consideration of US\$5,100,000. On July 30, 2009, the Series B Preferred Shares Investors exercised the warrants and purchased 10,000,000 Series B2 Preferred Shares with an exercise price of US\$0.3 per share.

In July 2010, SINA Hong Kong Limited ("the Series C Preferred Shares Investors") subscribed for 10,000,000 redeemable ordinary shares (the "Series C Ordinary Shares") and 20,000,000 Series C convertible redeemable preferred Shares (the "Series C Preferred Shares") of the Company at a cash consideration of US\$10,000,000 and a non-cash consideration including a sole license to operate Sina Show platform for a five year period and certain intellectual property rights from the SINA Hong Kong Limited to the Group. On the same day, the Company was authorized up to 116,000,000 ordinary shares with the adoption of the third amendment to the Article of Association. In January 2012, Series C Preferred Shares Investors converted all of the Series C Preferred Shares to ordinary shares of the Company on a one-for-one basis. On the same day the Series C Preferred Shares Investors waived the redemption right of Series C Ordinary Shares. As a result, Series C Preferred Shares Investors currently holds 30,000,000 ordinary shares of the Company.

As of December 31, 2013, the Company is owned as to 36.43% by Blueberry Worldwide Holdings Limited, 4.05% by Cloud Investment Holdings Limited, 35.71% by SINA Hong Kong Limited and 23.81% by IDG-ACCEL China Growth Fund II L.P. and IDG-ACCEL China Investors II L.P.

During the Relevant Periods and up to the date of this report, the Company has direct or indirect interests in the following subsidiaries:

| <u>Company Name</u> | <u>Jurisdiction and Date of Incorporation/Establishment</u> | <u>Issued and Fully Paid Share Capital/Registered Capital</u> | <u>Equity Interest Held</u> | <u>Principal Activities and Place of Operation</u> | <u>Note</u> |
|---|---|---|-----------------------------|---|-------------|
| Directly held by the Company | | | | | |
| Week8 Holdings (HK) Limited ("Week8 HK") | Hong Kong/ August 6, 2008 | HK\$1 | 100% | Investment holding, Hong Kong | (1) |
| Indirectly held by the Company | | | | | |
| Tiange Technology (Hangzhou) Co., Ltd. ("Hangzhou Tiange") (天格科技(杭州)有限公司) | PRC/ November 26, 2008 | US\$1,500,000 | 100% | Software and internet development and consulting service, the PRC | (2) |
| Zhejiang Tiange Information and Technology Co., Ltd. ("Zhejiang Tiange") (浙江天格信息技術有限公司) | PRC/ September 25, 2009 | US\$1,500,000 | 100% | Software and internet development and consulting service, the PRC | (3) |
| Star Power Culture Media (Beijing) Co., Ltd. ("Star Power") (新秀動力文化傳媒(北京)有限公司) | PRC/ November 16, 2010 | US\$500,000 | 100% | Software and internet development and consulting service, the PRC | (4) |
| Jinhua9158 Network Science and Technology Co., Ltd. ("Jinhua9158") (金華就約我吧網絡科技有限公司) | PRC/ November 18, 2008 | RMB10,000,000 | 100% | Online entertainment service, the PRC | (5) |
| Hangzhou Han Tang Cultural Communication Co., Ltd. ("Hantang") (杭州漢唐文化傳播有限公司) | PRC/ September 14, 2004 | RMB10,000,000 | 100% | Online entertainment service and advertising, the PRC | (6) |
| Jinhua99 Information Technology Co., Ltd. ("Jinhua99") (金華玖玖信息技術有限公司) | PRC/ November 18, 2008 | RMB10,000,000 | 100% | Online entertainment service, the PRC | (7) |
| Jinhua Xingxiu Cultural Communication Co., Ltd. ("Xingxiu") (金華星秀文化傳播有限公司) | PRC/ October 23, 2012 | RMB10,000,000 | 100% | Online entertainment service, the PRC | (8) |
| Jinhua Tianhu Network Technology Co., Ltd. ("Tianhu") (金華天虎網絡科技有限公司) | PRC/ August 29, 2013 | RMB10,000,000 | 51% | Online entertainment service, the PRC | (9) |

All companies comprising the Group adopt December 31 as their financial year end date.

The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

The Group's major subsidiaries are based in the PRC and the majority of their transactions are denominated in Renminbi ("RMB"). The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As of December 31, 2011, 2012 and 2013, other than the restriction from exchange control regulations, there is no significant restriction on the Group's ability to access or use the assets and settle the liabilities of the Group.

Notes:

- (1) The statutory financial statements were audited by Lau & Lei Certified Public Accountants for the years ended December 31, 2011 and 2012.
- (2) The statutory financial statements were audited by Zhejiang Zhongrui Jiangnan Certified Public Accountants Co., Ltd. (浙江中瑞江南會計師事務所有限公司) for the years ended December 31, 2011 and 2012.
- (3) The statutory financial statements were audited by Jinhua Jinzhengda Alliance Certified Public Accountants Partnership (金華金正大聯合會計師事務所) for the years ended December 31, 2011 and 2012.
- (4) The statutory financial statements were audited by Beijing Dongshen Dingli International Certified Public Accountants Co., Ltd. (北京東審鼎立國際會計師事務所有限責任公司) and Jinhua Zhongjian Alliance Certified Public Accountants Partnership (金華中健聯合會計師事務所) for the years ended December 31, 2011 and 2012, respectively.
- (5) The statutory financial statements were audited by Jinhua Hongyu Alliance Certified Public Accountants Partnership (金華宏譽聯合會計師事務所) for the years ended December 31, 2011 and 2012.
- (6) Hangzhou Han Tang Cultural Communication Co., Ltd. was acquired in November, 2008. The statutory financial statements were audited by Zhejiang Zhongrui Jiangnan Certified Public Accountants Co., Ltd. (浙江中瑞江南會計師事務所有限公司) for the years ended December 31, 2011 and 2012.
- (7) The statutory financial statements were audited by Jinhua Hongyu Alliance Certified Public Accountants Partnership (金華宏譽聯合會計師事務所) for the years ended December 31, 2011 and 2012.
- (8) No statutory audited financial statements have been prepared for this company as it was newly incorporated in October 2012 and no economic activities had been operated as of December 31, 2012.
- (9) No statutory audited financial statements have been prepared for Tianhu as it was newly incorporated in August 2013.

(c) Basis of Presentation

The Listing Business was, is and will continue to be carried out by several PRC entities, namely, Jinhua9158, Jinhua99, Hantang and Xingxiu (collectively “the PRC Operating Entities”). The Listing Business was put under the effective control of Hangzhou Tiange and Zhejiang Tiange, and ultimately, the Company, through a series of contractual arrangements (the “Contractual Arrangements”), pursuant to which, Hangzhou Tiange and Zhejiang Tiange are entitled to economic benefits generated by the PRC Operating Entities. Further details of the Contractual Arrangements are set out in Note 2.2.1(c) below. Accordingly, the PRC Operating Entities have been subsidiaries of Hangzhou Tiange and Zhejiang Tiange and the consolidated financial statements of the Group have been prepared on a consolidated basis and are presented for the Relevant Periods of the companies comprising the Group including the PRC Operating entities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

2.1 Basis of Preparation

The Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, available-for-sale financial assets, convertible redeemable preferred shares and redeemable ordinary shares.

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the Financial Information are disclosed in Note 4 below.

Changes in Accounting Policy and Disclosures

The following new standards, amendments and interpretations to existing standards have been issued but are effective for the fiscal year beginning January 1, 2014 and have not been early adopted by the Group:

- Amendment to IAS 32 “Financial instruments: Presentation” on asset and liability offsetting, these amendments are to the application guidance in IAS 32, “Financial instruments: Presentation”, and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendments to IFRS 10, 12 and IAS 27 “Consolidation for investment entities”. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an “investment entity” definition and which display particular characteristics. Changes have also been made IFRS/HKFRS 12 to introduce disclosures that an investment entity needs to make.
- Amendment to IAS 36, “Impairment of assets” on recoverable amount disclosures, this amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement” – “Novation of derivatives”, this amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- IFRIC 21 ‘Levies’, this is an interpretation of IAS 37, “Provisions, contingent liabilities and contingent assets”. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IFRS 9 “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The effective date for this new standard is to be determined.
- Amendments to IFRS 9 and IFRS 7, Mandatory Effective Date and Transition Disclosures, which amends the effective date of IFRS 9 “Financial Instruments” to annual periods beginning on or after January 1, 2015 and modifies the relief from restating comparative periods and the associated disclosures in IFRS 7 “Financial Instruments: Disclosures”.

The Group is in the process of making an assessment of the impact of the above standards, amendments to standards and interpretation on the financial statements of the Group in their initial applications.

2.2 Subsidiaries**2.2.1 Consolidation**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair

value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies

(b) Subsidiaries directly held and indirectly held by the Company

In August 2008, the Company established Week8 HK, a wholly-foreign owned subsidiary of the Company, under the laws of the Hong Kong, as an investment holding company.

In November 2008, Week8 HK established Hangzhou Tiange, a wholly-foreign owned subsidiary, under the laws of the PRC in Hangzhou, China.

In September 2009, Week8 HK established Zhejiang Tiange, a wholly-foreign owned subsidiary, under the laws of the PRC in Jinhua, China.

In November 2010, Week8 HK established Star Power, a wholly-foreign owned subsidiary of Week8 HK, under the laws of the PRC in Beijing, China.

(c) Subsidiaries controlled by the Company through Contractual Arrangements

The wholly-owned subsidiaries, Hangzhou Tiange and Zhejiang Tiange, entered into the Contractual Arrangements with the PRC Operating Entities and their respective equity holders, which enable Hangzhou Tiange, Zhejiang Tiange and the Group to:

- exercise effective financial and operational control over the PRC Operating Entities;
- irrevocably exercise equity holders' voting rights of the PRC Operating Entities;
- receive substantially all of the economic returns generated by the PRC Operating Entities by way of business support, technical and consulting services provided by Hangzhou Tiange and Zhejiang Tiange;
- obtain an irrevocable and exclusive right to purchase the entire equity interest in the PRC Operating Entities from the respective equity holders;
- obtain a pledge over the entire equity interest of the PRC Operating Entities from their respective equity holders as collateral for all accounts payable by the PRC Operating Entities to Hangzhou Tiange and Zhejiang Tiange and to secure performance of the PRC Operating Entities' obligations under the Contractual Arrangements.

The Group does not have any equity interest in PRC Operating Entities. As a result of the Contractual Arrangements, the Group has rights to the variable returns from its involvement in the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities, and is considered to control the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as the indirect subsidiaries under IFRS. The Group has included the financial position and results of the PRC Operating Entities in the consolidated financial statements during the Relevant Periods.

(d) Subsidiary other than directly controlled Interests or the Contractual Arrangements

In August 2013, Jinhua9158 entered into a series of arrangements with Beijing Star World Technology Co., Ltd. for the establishment of Tianhu pursuant to which Jinhua9158 owns 51% of Tianhu's total equity and has effective control over Tianhu. Accordingly, the Company regards Tianhu as an indirect subsidiary under IFRS and has included the financial position and results of Tianhu in the consolidated financial statements during the Relevant Periods.

(e) *Change of their then shareholders without change of control*

In September 2013, to align the shareholding of Hantang with the shareholding of other PRC Operating Entities, the nominee shareholder of Hantang changed from Mr. Fu Zhengjun to Mr. Li Chao, an employee of the Group. The transaction was carried out at a consideration equivalent to the registered capital. As a result, Hantang was held as to 90% by Mr. Li Chao and 10% by Mr. Fu Yanchang. The change of nominee shareholder did not result in the change of control over Hantang owned by Hangzhou Tiange with the confirmation from Mr. Li Chao of taking over all the rights and obligations that Mr. Fu Zhengjun had in the Contractual Arrangement between Hangzhou Tiange and Hantang.

2.2.2 *Separate Financial Statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

2.3 **Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.4 **Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that its business, as a whole, falls into one segment.

2.5 **Foreign Currency Translation**

(a) *Functional and presentation currency*

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and Week8 HK is the United States dollar ("US\$"). The Company's primary subsidiaries

were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group during the Relevant Periods are within the PRC, the Group determined to present its Financial Information in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive loss within "finance income". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive loss within "other gain".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statements of comprehensive loss as part of the gain or loss on sale.

2.6 Property and Equipment

Construction-in-progress (the "CIP") represents leasehold improvements under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| – Leasehold improvement | Shorter of remaining term of the lease and the estimated useful lives of the assets |
| – Server and other electronic equipment | 3 years |
| – Office equipment | 3 years |
| – Office furniture | 5 years |
| – Vehicles | 4 years |

The depreciation method, residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within "other losses" in the consolidated statements of comprehensive loss.

2.7 Intangible Assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and business and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use or the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Computer software

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 years), and recorded in amortization within operating expenses in the consolidated statements of comprehensive loss.

(c) Domain name and technology

Acquired domain names and technology are initially recorded at cost or estimated fair value of intangible assets acquired through business combinations. These intangible assets are amortized on a straight-line basis over their estimate useful lives (5 or 10 years), and recorded in amortization within operating expenses and cost of sales in the consolidated statements of comprehensive loss.

(d) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria includes: (1) it is technically feasible to complete the software product and technology so that it will be available for use; (2)management intends to complete the software product and technology and use or sell it; (3)there is an ability to use or sell the software product and technology; (4)it can be demonstrated how the software product and technology will generate probable future economic benefits; (5)adequate technical, financial and other resources to complete the development and to use or sell the software product and technology are available; and (6)the expenditure attributable to the software product and technology during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. During the Relevant Periods, there were no development costs meeting these criteria and capitalized as intangible assets.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2.8 Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each of the reporting dates.

2.9 Financial Assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables" and "cash and cash equivalents" in the balance sheet (Notes 18 and 21).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of them within 12 months of the end of the reporting period.

2.9.2 Recognition and Measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statements of comprehensive loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statements of comprehensive loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

2.10 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.11 Impairment of Financial Assets

(a) *Assets carried at amortized cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit or loss.

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statements of comprehensive loss on equity instruments are not reversed through the consolidated statements of comprehensive loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statements of comprehensive loss.

2.12 Trade Receivables and Other Receivables

Trade receivables are amounts due from customers and advertising agents for services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.13 Cash and Cash Equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other financial institutions and short-term highly liquid investments with original maturity of three months or less.

2.14 Share Capital and Premium

Ordinary shares are classified as equity. Convertible redeemable preferred shares and redeemable ordinary shares are classified as liabilities (Note 2.17 and 2.18).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury share), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's shareholders.

2.15 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of comprehensive loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowings are classified as current liabilities if the loan agreements include an overriding repayment on demand clause, which gives the lender the right to demand repayment at any time at their sole discretion, irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the agreement.

Borrowing costs that are directly attributable to the acquisition, construction or production of any qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sales are capitalized as part of the cost of that asset.

All other borrowing costs are charged to the consolidated statements of comprehensive loss in the period in which they are incurred.

2.17 Convertible Redeemable Preferred Shares

Convertible redeemable preferred shares (Note 30) issued by the Company comprise Series A Preferred Shares, Series B1 Preferred Shares, Series B2 Preferred Shares and Series C Preferred Shares (collectively, "Preferred Shares") that are redeemable upon occurrence of certain future events at the option of the holders as detailed in Note 30. The Preferred Shares can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon an initial public offering of the Company or agreed by majority of the holders as detailed in Note 30.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of comprehensive loss.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in the profit or loss.

The convertible redeemable preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

Preferred shares, if mandatorily redeemable at a specific date or redeemable at the option of the holder, are classified as liabilities. The dividends on these preferred shares, if declared, are recognized in the consolidated statements of comprehensive loss as finance costs.

2.18 Redeemable Ordinary Shares

Redeemable ordinary shares issued by the Company comprise Series C Ordinary Shares that are redeemable upon occurrence of certain future events and at the option of the holders as detailed in Note 30.

The Group designated the redeemable ordinary shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of comprehensive loss.

Subsequent to initial recognition, the redeemable ordinary shares are carried at fair value with changes in fair value recognized in the profit or loss. The dividends on these redeemable shares, if declared, are recognized in the consolidated statement of comprehensive loss.

The redeemable ordinary shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.19 Current and Deferred Income Tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current Income Tax

The current income tax charge is calculated on the basis of the tax laws, enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred Income Tax

Inside Basis Differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside Basis Differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee Benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2.21 Share-based Payments**(a) Equity-settled share-based payments transactions**

The Group operates an equity-settled share-based compensation plan (the "2008 Share Option Plan"), under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

In terms of share options and shares awarded to counterparties other than employees, the total amount to be expensed is determined by reference to the fair value of the service unless such fair value could not be estimated reliably. In such case, the expense will be measured indirectly by reference to the fair value of the equity instruments granted at the date when such counterparties render services.

Service conditions are included in assumptions about the number of options and shares that are expected to vest. The total expense is recognized over the vesting period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options and shares that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payments transactions among group entities

The grant by the Company of options over its equity instruments to the employees or other service providers of the subsidiaries and the PRC Operating Entities are treated as a capital contribution. The fair value of consulting and employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity in the separate financial statements of the Company.

2.22 Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the Group's financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.23 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

The Group is principally engaged in the operation of live social video platform (the "Video Platform") and derives revenue from the sale of virtual currencies which can be used to purchase virtual goods on the Group's Video Platform. In addition, the Group also operates mobile and online games ("Games"), and offers advertising services and other service (collectively referred to as "Others").

(a) Live Social Video Platform

The Group primarily operates two major live social video communities (the "Communities"), namely Sina Show (新浪秀), 9158 Video Community (9158視頻社區), and seven other Communities. Each of these Communities contains thousands of real time video rooms (the "Room") with user-created content provided by hosts and users on air, and broadcasted to the rooms' viewers. The Group is responsible for providing a technological infrastructure to allow the hosts, users on air and viewers to interact through live video streams.

All the Communities and Rooms are free to access. The Group mainly derives the revenue from sales of virtual currency which can be used to purchase virtual goods in the Communities and Rooms. Each of the Communities has its own virtual currency, which cannot be used on other Communities.

The Group's operating entities primarily cooperate with independent third-party distributors to sell the Group's virtual currency through the annual distribution agreements with these distributors. Pursuant to the distribution agreements with these distributors, each distributor is responsible for sales of virtual currency for one or more of the Group's communities through developing and engaging sales agents who directly sell the virtual currency to users. The Group do not determine the price of the virtual currency sold to sales agents or users. In addition, the Group do not take overall responsibility of the content or performances in the Group's communities. Consequently, the Group recognize revenue based on the net amount of proceeds received from the Group's distributors.

The Group also utilizes third-party payment collection channels, which charges it the payment handling cost, for users to purchase the virtual currency directly from it. The payment handling costs are recorded in cost of sales.

Upon the sales of virtual currency, the Group typically has an implied obligation to provide the service which enable the virtual currency to be used in the Communities. As a result, the virtual currency are recorded as customer advance when they are sold to the distributors and are transferred to deferred revenue when they are subsequently activated and charged to the respective communities accounts by the users.

Users use virtual currency to purchase virtual goods in the Communities. Virtual goods includes:

- (1) virtual gifts, which are given by users to hosts, performers or other users as a gesture of friendship or support. When a host, user on-air, or viewer receives a virtual gift, he/she will receive an amount of virtual currency equal to a percentage of the cost of the virtual gift. This percentage varies depending on the cost and rarity of the items received from the users. The reduced portion of the cost is considered as the actual consumption of the virtual currency and is immediately recognized as revenue.
- (2) virtual items, which are used by users to grant themselves special privileges and abilities. Consumable virtual goods will be extinguished immediately after consumption. As such, the users will not continue to benefit from the virtual items and the Group does not have further obligations to the user after the virtual items are consumed. Therefore, revenue is recognized immediately when the consumable virtual items are consumed. The Group also provides durable virtual items that enables the special privileges and abilities to paying users over an extended period of time. Revenue is recognized ratably over the beneficial period. The Group's revenue from durable virtual goods is insignificant during the Relevant Period.

The Group also offers membership programs to its users. The revenue generated from membership programs is recognized ratably over the membership period.

(b) Games

The Group primarily derives its mobile and online games revenue from the sales of in-game virtual items in its games through cooperation with third-party game developers and online application stores. Through exclusive or non-exclusive operation framework contracts with game developers who own the copyright of the game, the Group is responsible for marketing, distribution and operation of the game, as well as server maintenance, payer authentication and payment collections related to the game.

The Group's games are free to play and players can purchase in-game virtual items for better in-game experience. Players purchase the in-game virtual items through the payment systems on online application stores or other third party payment platforms, who collect the payment from the players and remit the cash net of the payment handling costs and the commission charges. The payment handling costs and the commission charges are pre-determined according to the relevant terms of the agreements entered into between the Group and game developers and online application stores or third party payment platforms.

Upon the sales of in-game virtual items, the Group typically has an implied obligation to provide the services which enable the in-game virtual items to be displayed or used in the games. As a result, the proceeds received from sales of in-game virtual items are initially recorded as deferred revenue and are recognized as revenue subsequently only when the services have been rendered. For the purpose of determining when services have been rendered to the respective paying players, the Group has determined the following:

- (1) Consumable virtual items represent items that will be extinguished immediately after consumption by a specific game player action. The paying player will not continue to benefit from the virtual items thereafter. Revenue is recognized as a release from deferred revenue when the items are consumed.
- (2) Durable virtual items represent items that are accessible and beneficial to paying players over an extended period of time. Revenue is recognized ratably over the average playing period of paying player, which represents the best estimate of the average life of durable virtual items for the applicable game. The Group's revenue from durable virtual items is insignificant during the relevant periods.

(c) Others

Other revenues primarily consist of advertising services.

The Group primarily derives its advertising revenue through advertising framework contract with advertising agencies that represent advertisers. The advertising agencies enter into framework agreements and place advertisements on particular areas of the Group's website in particular formats and over a specified period of time. The Group shares the revenue from the advertising agencies.

Revenue is recognized ratably over the contracted period of display. Where multiple advertising spaces are purchased with different display periods in the same agreement, the Group allocates the total consideration to the various advertising elements based on the relative fair value and recognize revenue for the different elements over their respective display periods.

As the advertising agency is viewed as the customers in these transactions, revenue is recognized based on the price charged to the agency, net of sales incentives provided to the agency. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

2.24 Interest Income

Interest income mainly represents interest income from bank deposits, and is recognized using effective interest method.

2.25 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.27 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group approved by the Board of Directors.

(a) Market Risk

(i) Foreign Exchange Risk

Most of the Company's subsidiaries' functional currencies are RMB as majority of the revenues of these companies are derived from operations in mainland China. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US\$. All of the transactions of the Company and its overseas subsidiary are denominated and settled in their common functional currency, US\$. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in the Group's PRC subsidiaries when receiving or to receive foreign currencies from oversea cooperated counterparties. The Group does not hedge against any fluctuation in foreign currency.

As of December 31, 2011, 2012 and 2013, the Group did not have any significant exchange risk from the operation.

(ii) Interest Rate Risk

The Group is exposed to interest risk because of investments held by the Group and classified as available-for-sale and the term deposits with an initial term over 3 months held by the Group.

The sensitivity analysis is determined based on the exposure to interest risk of available-for-sale financial assets and term deposits with an initial term over 3 months at the end of each reporting period. If the interest rate of the respective instruments held by the Group had been 100 base points higher/lower, the post-tax profit would have been RMB174 thousand, RMB858 thousand and RMB1,096 thousand higher/lower, for the years ended December 31, 2011, 2012 and 2013, respectively.

The Group's interest rate risk also arises from long-term borrowings and convertible redeemable prefer shares.

The long-term borrowings were obtained at fixed rates and expose the Group to fair value interest rate risk. As of December 31, 2011, 2012 and 2013, if the interest rates on bank borrowings had been 10% higher/lower with all other variables held constant, profit before income tax for the years would have been nil, nil and RMB113 thousand lower/higher, respectively, mainly as a result of higher/lower interest expense on bank borrowings.

The liability component of the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares bears a compound annual interest rate upon redemption (Note 30 and Note 4.1(a)).

(iii) Price Risk

The Group is exposed to price risk in respect of convertible redeemable preferred shares and redeemable ordinary shares carried at fair value with changes in fair value recognized in the profit or loss. Fair value of convertible redeemable preferred shares and redeemable ordinary shares is affected by changes in the Group's equity value.

For the years ended December 31, 2011, 2012 and 2013, if the equity value of the Company had increased/decreased by 100 base points with all other variables held constant, profit before income tax for the years would have been RMB40,897 thousand, RMB34,182 thousand and RMB55,706 thousand higher, respectively and RMB39,608 thousand, RMB34,406 thousand and RMB54,468 thousand lower, respectively.

(b) Credit Risk

The carrying amounts of cash and cash equivalents placed with banks and financial institutions, restricted cash, available-for-sale financial assets, term deposits with initial term of over 3 months, trade receivables, other receivables included in the Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

To manage risk of bank deposits, deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

The Group had made term deposits with initial term of over 3 months in certain structured deposits with relatively higher interest rates with certain financial institutions. As of December 31, 2013, the Group had an outstanding investment in structured deposits which were bought from reputable state-owned financial institutions and regional financial institutions in the PRC. Management has exercised due care when making investment decision with focus only on low risk structured deposits. There has been no recent history of default in relation to this financial institution.

For trade receivables, a significant portion of trade receivables at the end of each of the Relevant Periods was due from advertising agencies and third-party payment vendors that collaborate with the Group. If the strategic relationship with the advertising agencies and third-party payment vendors is terminated or scaled-back; or if they alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the advertising agencies and third-party payment vendors to ensure the effective credit control. In view of the sound history of cooperation and collectability of receivables due from these agencies and vendors, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from these agencies and vendors is low.

For other receivables, management make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The management of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(c) *Liquidity Risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group and the Company's non-derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group

| | Less than 3 Months | 3-6 Months | 6 Months- 1 Year | More than 1 Year | Total |
|--|-------------------------------|-------------------|-----------------------------|-----------------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At December 31, 2011 | | | | | |
| Trade payables | 7,912 | 5,000 | – | – | 12,912 |
| Other payables and accruals (excluding deposit payable, accrued payroll and other tax liabilities) | 4,449 | – | 17,643 | – | 22,092 |
| Convertible redeemable preferred shares | – | – | – | 349,196 | 349,196 |
| Redeemable ordinary shares | – | – | – | 71,017 | 71,017 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>71,017</u> | <u>71,017</u> |
| At December 31, 2012 | | | | | |
| Trade payables | 21,070 | – | 250 | – | 21,320 |
| Other payables and accruals (excluding deposit payable, accrued payroll and other tax liabilities) | 9,289 | – | 39,790 | – | 49,079 |
| Convertible redeemable preferred shares | – | – | – | 355,162 | 355,162 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>355,162</u> | <u>355,162</u> |
| At December 31, 2013 | | | | | |
| Borrowings | – | 30,485 | – | 79,260 | 109,745 |
| Trade payables | 10,503 | 3,380 | – | – | 13,883 |
| Other payables and accruals (excluding deposit payable, accrued payroll and other tax liabilities) | 46,418 | 3,662 | 18,161 | – | 68,241 |
| Dividend payable | – | 74,161 | – | – | 74,161 |
| Convertible redeemable preferred shares | – | – | – | 548,471 | 548,471 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>548,471</u> | <u>548,471</u> |

The Company

| | Less than 3 Months | 3-6 Months | 6 Months- 1 Year | More than 1 Year | Total |
|--|-------------------------------|-------------------|-----------------------------|-----------------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At December 31, 2011 | | | | | |
| Other payables and accruals (excluding accrued payroll and other tax liabilities) . . . | – | – | 17,643 | – | 17,643 |
| Convertible redeemable preferred shares | – | – | – | 349,196 | 349,196 |
| Redeemable ordinary shares | – | – | – | 71,017 | 71,017 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>71,017</u> | <u>71,017</u> |
| At December 31, 2012 | | | | | |
| Other payables and accruals (excluding accrued payroll and other tax liabilities) . . . | 143 | – | 39,791 | – | 39,934 |
| Convertible redeemable preferred shares | – | – | – | 355,162 | 355,162 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>355,162</u> | <u>355,162</u> |
| At December 31, 2013 | | | | | |
| Other payables and accruals (excluding accrued payroll and other tax liabilities) . . . | 21,198 | 3,943 | 17,071 | – | 42,212 |
| Dividend payable | – | 74,161 | – | – | 74,161 |
| Convertible redeemable preferred shares | – | – | – | 548,471 | 548,471 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>548,471</u> | <u>548,471</u> |

As of December 31, 2011, 2012 and 2013, the Group and the Company had no derivative financial liability.

As of December 31, 2011, 2012 and 2013, the convertible redeemable preferred shares and redeemable ordinary shares were classified as non-current liability. The maximum exposure of this redemption is the contractual redemption price which is equal to the 100% of the issue price, plus interest calculated at certain percent per year compounded annually calculated from the date on which the convertible redeemable preferred shares is issued until the redemption Date, and plus all declared but unpaid dividends on the convertible redeemable preferred shares to be redeemed up to the date of redemption (Note 30). The Group recognizes the convertible redeemable preferred shares and redeemable ordinary shares at fair value through profit or loss, accordingly, convertible redeemable preferred shares and redeemable ordinary shares are managed on a net-fair value basis rather than by maturity date.

3.2 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital, capital reserves and Preferred Shares on an as-if converted basis) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

3.3 Fair Value Estimation

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2011.

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Assets: | | | | |
| – Available-for-sale financial assets | – | – | 2,000 | 2,000 |
| Liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| – Convertible redeemable preferred shares | – | – | 349,196 | 349,196 |
| – Redeemable ordinary shares | – | – | 71,017 | 71,017 |
| | – | – | 420,213 | 420,213 |

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2012.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Assets: | | | | |
| – Available-for-sale financial assets | – | – | 146,402 | 146,402 |
| Liabilities: | | | | |
| – Convertible redeemable preferred shares | – | – | 355,162 | 355,162 |

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2013.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Assets: | | | | |
| – Available-for-sale financial assets | – | – | 280,440 | 280,440 |
| Liabilities: | | | | |
| – Convertible redeemable preferred shares | – | – | 548,471 | 548,471 |

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments as of December 31, 2011.

| | Available-for- sale financial assets | Convertible redeemable preferred shares | Redeemable Ordinary Share |
|--|--|--|---------------------------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Opening balance | – | 185,660 | 33,425 |
| Additions | 2,000 | – | – |
| Fair value loss recognized in consolidated statements of comprehensive loss | – | 176,490 | 40,111 |
| Exchange difference. | – | (12,954) | (2,519) |
| Closing balance | <u>2,000</u> | <u>349,196</u> | <u>71,017</u> |

The following table presents the changes in level 3 instruments as of December 31, 2012.

| | Available-for- sale financial assets | Convertible redeemable preferred shares | Redeemable Ordinary Share |
|---|--|--|---------------------------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Opening balance | 2,000 | 349,196 | 71,017 |
| Additions | 933,457 | – | – |
| Disposals of available-for-sale financial assets . . | (789,055) | – | – |
| Fair value loss recognized in consolidated statements of comprehensive loss | – | 171,605 | 1,344 |
| Repurchase of convertible redeemable preferred shares | – | (8,609) | – |
| Conversion from convertible redeemable preferred shares and redeemable ordinary shares to ordinary shares | – | (156,557) | (71,677) |
| Exchange difference. | – | (473) | (684) |
| Closing balance | <u>146,402</u> | <u>355,162</u> | <u>–</u> |

The following table presents the changes in level 3 instruments as of December 31, 2013.

| | Available-for-sale financial assets | Convertible redeemable preferred shares |
|--|--|---|
| | RMB'000 | RMB'000 |
| Opening balance | 146,402 | 355,162 |
| Additions | 2,247,687 | – |
| Disposals of available-for-sale financial assets | (2,113,649) | – |
| Repurchase of convertible redeemable preferred shares | – | (76,453) |
| Fair value loss recognized in consolidated statements of comprehensive loss | – | 283,298 |
| Exchange difference | – | (13,536) |
| Closing balance | <u>280,440</u> | <u>548,471</u> |

The changes in level 3 instruments relating to convertible redeemable preferred shares and redeemable ordinary shares for the year ended December 31, 2011, 2012 and 2013 are presented in Note 30.

As of December 31, 2011, 2012 and 2013, the fair value of available-for-sale financial assets approximated the carrying value due to short maturity date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair Value of Series A, B and C Preferred Shares and Series C Ordinary Shares

The Series A, B and C Preferred Shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The directors have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation method to determine the fair value of the Series A, Series B and Series C Preferred Shares and Series C Ordinary Shares. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 30.

The estimated carrying amount of Series A Preferred Shares as of December 31, 2011 and 2012 would have been RMB1,759 thousand and RMB5,169 thousand lower, respectively or RMB2,346 thousand and RMB4,307 thousand higher, respectively, if the discount rate used in discount cash flow analysis were higher/lower by 100 base points from management's estimates.

The estimated carrying amount of Series B Preferred Shares as of December 31, 2011, 2012 and 2013 would have been RMB7,733 thousand, RMB22,719 thousand and RMB48,279 thousand lower, respectively or RMB9,667 thousand, RMB18,932 thousand and RMB61,896 thousand higher, respectively, if the discount rate used in discount cash flow analysis were higher/lower by 100 base points from management's estimates.

The estimated carrying amount of Series C Preferred Shares as of December 31, 2011 would have been RMB7,733 thousand lower or RMB10,311 thousand higher if the discount rate used in discount cash flow analysis were higher/lower by 100 base points from management's estimates.

The estimated carrying amount of Series C Ordinary Shares as of December 31, 2011 would have been RMB3,867 thousand lower or RMB4,511 thousand higher if the discount rate used in discount cash flow analysis were higher/lower by 100 base points from management's estimates.

(b) Fair Value of Share-based Compensation Expenses

As mentioned in Note 2.21, the Group has awarded shares to eligible directors and employees. The Group has used the Binomial option-pricing model to determine the total fair value of the options awarded. Significant estimates on key assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Company in applying the Binomial option-pricing model (Note 24).

The fair values of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group. The Group only recognizes an expense for those share options expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The fair value of share options at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expense recognized by the Group in respect of their services rendered for the years ended December 31, 2011, 2012 and 2013 was RMB3,907 thousand, RMB5,478 thousand and RMB5,555 thousand respectively.

(c) Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

4.2 Critical Judgments in Applying the Group's Accounting Policies

(a) Revenue Recognition

The Group sells virtual currency through its third party distributors. The Group has assessed the relationship and arrangements with the distributors as described in Note 2.23 regarding gross versus net reporting of revenue, and has concluded that reporting the net amount equivalent to the cash proceeds that the Group receives from the sale of virtual currency to distributors, because the Group does not determine the price of the virtual currency sold to sales agents or users and does not take overall responsibility of the content or performances in the Communities.

(b) Contractual Arrangements

The Group primarily engages in the operations of live social video platforms, online game platforms and other online entertainment products and services (the "Listing Business"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, the wholly foreign-owned enterprises within the Group cannot acquire equity interest in the PRC Operating Entities, which hold certain licenses and permits required for the operation of the Listing Business.

As a result, the wholly foreign-owned enterprises, Hangzhou Tiange and Zhejiang Tiange, entered into Contractual Arrangements with the Group's PRC Operating Entities and their shareholders in order to conduct the Listing Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Operating Entities. More specifically, the Contractual Arrangements are entered into between Hangzhou Tiange and each of Hantang, Jinhua9158 and Jinhua99 (the "Hangzhou Contractual Arrangements") and between Zhejiang Tiange and Xingxiu (the "Zhejiang Contractual Arrangements"). With respect to the Hangzhou Contractual Arrangements, Hangzhou Tiange, each of Hantang, Jinhua9158 and Jinhua99 and their respective registered shareholders (where applicable) have entered into a set of these underlying agreements: (i) Exclusive Technology Consulting and Service Agreement (獨家技術諮詢和服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Exclusive Intellectual Property Rights Call Option Agreement (知識產權獨家認購協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議). With respect to the Zhejiang

Contractual Arrangements, Zhejiang Tiange, Xingxiu and its respective registered shareholders (where applicable) have entered into these underlying agreements: (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議).

Pursuant to these agreements and undertakings, notwithstanding the fact that the Group does not hold direct equity interest in the PRC Operating Entities, the Group considers that it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from their business activities. Accordingly, the PRC Operating Entities have been treated as the Group's indirect subsidiary during the Relevant Period.

5 REVENUE

Details of the revenue for the years ended December 31, 2011, 2012 and 2013 are as follows:

| | Years Ended December 31, | | |
|--------------------------------------|--------------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Live Social Video Platform | 370,488 | 437,125 | 528,430 |
| Games | 2,775 | 2,396 | 2,727 |
| Others | 11,179 | 16,247 | 17,083 |
| Total revenue | <u>384,442</u> | <u>455,768</u> | <u>548,240</u> |

Risk of Concentration

Management currently expects that the Company's operating results will, for the foreseeable future, continue to depend on the revenue from a relatively small number of distributors.

6 EXPENSES BY NATURE

| | Year Ended December 31, | | |
|---|-------------------------|-----------------------|-----------------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Employee benefit expenses (including share-based compensation expenses) (Note 8) | 67,158 | 93,366 | 101,964 |
| Promotion and advertising expenses (a). | 76,873 | 101,751 | 96,613 |
| Business tax and related surcharges (b). | 26,276 | 32,793 | 36,129 |
| Bandwidth and server custody fees | 16,393 | 23,132 | 29,236 |
| Game development outsourcing costs | 8,066 | 15,437 | 23,819 |
| Travelling and entertainment expenses | 13,035 | 14,164 | 16,080 |
| Depreciation of property and equipment (Note 13). | 7,579 | 9,615 | 11,225 |
| Utilities and office expenses | 7,188 | 9,472 | 9,825 |
| Operating lease rentals in respect of office buildings | 6,734 | 9,721 | 9,430 |
| Payment handling costs. | 5,005 | 4,732 | 4,336 |
| Auditors' remuneration | 1,884 | 3,480 | 4,091 |
| Professional and consultancy fees (c) | – | – | 3,713 |
| Amortization of intangible assets (Note 15) | 1,467 | 1,651 | 1,623 |
| Others | 13,349 | 3,609 | 9,090 |
| Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses | <u>251,007</u> | <u>322,923</u> | <u>357,174</u> |

- (a) Promotion and advertising expenses primarily consist of expenses for the promotion of the Listing Business through different online channels which are settled based on the effective download and installation times.
- (b) Business tax and related surcharges that are applicable to the Group are as follows:

| Category | Tax Rate | Basis of Levies |
|----------------------------|--|--|
| Business Tax ("BT") | 3% | Revenue from operation of live social video communities, interactive social video games. |
| | 5% prior to August 1, 2012 and December 1, 2012 for Beijing and Zhejiang, respectively | Other revenue |
| Value-added tax("VAT") | 6% since September 1, 2012 and December 1, 2012 for Beijing and Zhejiang, respectively | Other revenue |
| City construction tax | 7% | Actual BT and VAT Payable |
| Educational surcharges | 3% for educational surcharges and 2% for local educational surcharges | Actual BT and VAT Payable |
| Foundation for water works | 0.1% | Total revenue |

- (c) Included in expenses was certain legal and professional services fees incurred during the preparation of initial public offering of the shares of our Company.

7 OTHER GAIN

| | Year Ended December 31, | | |
|---|-------------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Investment Interest | 1,740 | 8,578 | 10,959 |
| Government grants (a) | | | |
| – Tax based subsidy (i). | 266 | 13,592 | 11,037 |
| – Technology award (ii) | 4,560 | 5,877 | 7,581 |
| – Scientific project fund (iii) | 180 | 2,733 | 6,010 |
| Loss on disposal of property and equipment, net . | (16) | (105) | (67) |
| Others | (301) | (234) | (121) |
| | 6,429 | 30,441 | 35,399 |

- (a) For the years ended December 31, 2011, 2012 and 2013, government grants primarily consist of:
- (i) Tax based subsidies amounted to RMB266 thousand, RMB13,592 thousand and RMB11,037 thousand, respectively, were granted by local government authorities to incentivize the Group's business growth;
- (ii) Technology award amounted to RMB4,560 thousand, RMB5,877 thousand, RMB7,581 thousand, respectively, were granted by the local government authorities in Hangzhou and Jinhua to reward the Group's achievement and support the Group's development in information service industries;
- (iii) Scientific project fund amounted to RMB180 thousand, RMB2,733 thousand and RMB6,010 thousand, respectively, were granted by local government authorities to fund the Group's qualified technology research projects.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | Year Ended December 31, | | |
|---|-------------------------|---------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Wages, salaries and bonuses | 52,594 | 72,229 | 79,221 |
| Defined contribution plans (a) | 6,312 | 8,373 | 8,526 |
| Other social security costs, housing benefits and other employee benefits | 4,345 | 7,286 | 8,662 |
| Share-based compensation expenses | 3,907 | 5,478 | 5,555 |
| | 67,158 | 93,366 | 101,964 |

(a) Defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage (2011, 2012, 2013: 14%, 22%, 20% for Zhejiang, Shanghai and Beijing, respectively.) of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(b) Directors' emoluments

The remuneration of each director for the year ended December 31, 2011 is set out below:

| Name | Salaries and allowances | Discretionary bonus | Defined contribution plans | Other social security costs, housing benefits and other employee benefits | Share-based compensation expenses | Total |
|-----------------------|-------------------------|---------------------|----------------------------|---|-----------------------------------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Fu Zhengjun (i) . . . | 539 | 89 | 13 | 2 | 1,020 | 1,663 |
| Mao Chengyu (ii) . . | - | - | - | - | - | - |

The remuneration of each director for the year ended December 31, 2012 is set out below:

| Name | Salaries and allowances | Discretionary bonus | Defined contribution plans | Other social security costs, housing benefits and other employee benefits | Share-based compensation expenses | Total |
|-----------------------|-------------------------|---------------------|----------------------------|---|-----------------------------------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Fu Zhengjun (i) . . . | 542 | 89 | 14 | 2 | 446 | 1,093 |
| Mao Chengyu (ii) . . | - | - | - | - | - | - |

The remuneration of each director for the year ended December 31, 2013 is set out below:

| Name | Salaries and allowances | Discretionary bonus | Defined contribution plans | Other social security costs, housing benefits and other employee benefits | Share-based compensation expenses | Total |
|-----------------------|-------------------------|---------------------|----------------------------|---|-----------------------------------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Fu Zhengjun (i) . . . | 549 | 89 | 14 | 2 | 218 | 872 |
| Mao Chengyu (ii) . . | - | - | - | - | - | - |

- (i) Mr. Fu Zhengjun was appointed as the director and the chief executive officer (“CEO”) of the Company on July 28, 2008.
- (ii) Mr. Mao Chengyu was appointed as the director of the Company on December 30, 2008.

(c) **Five Highest Paid Individuals**

The five individuals whose emoluments were the highest in the Group include no directors/chief executives for each of the years ended December 31, 2011, 2012 and 2013. The emoluments paid and payable to the five highest paid individuals for each of the years ended December 31, 2011, 2012 and 2013 are as follows:

| | Year Ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Salaries and allowances | 419 | 512 | 561 |
| Discretionary bonus | 71 | 54 | 68 |
| Defined contribution plans | 53 | 108 | 105 |
| Other social security costs, housing benefits and other employee benefits | 32 | 26 | 38 |
| Share-based compensation expenses | 40 | 38 | 15 |
| | 615 | 738 | 787 |

The emoluments payables to these individuals for the year ended December 31, 2011, 2012 and 2013 fell within the following bands:

| | Year Ended December 31, | | |
|-------------------------------|-------------------------|------|------|
| | 2011 | 2012 | 2013 |
| Emoluments band: | | | |
| Nil to RMB1,000,000 | 5 | 5 | 5 |

- (d) During the Relevant Periods, neither directors nor the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

9 FINANCE INCOME/(COSTS), NET

| | Year Ended December 31, | | |
|--|-------------------------|----------------|-----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Finance income: | | | |
| – Exchange gain on financing activities | – | 2 | 1,689 |
| – Interest income on cash and cash equivalents | 1,594 | 1,544 | 3,128 |
| – Gain on repurchase of preferred shares (a) | – | – | 32,284 |
| | 1,594 | 1,546 | 37,101 |
| Finance costs: | | | |
| – Dividend appropriation to preferred shareholders | – | – | (35,280) |
| – Loss on repurchase of preferred shares (a) | – | (7,168) | – |
| – Interest expenses on bank borrowings | – | – | (1,419) |
| – Exchange losses on financing activities | (143) | – | – |
| | (143) | (7,168) | (36,699) |
| Finance income/(cost), net | 1,451 | (5,622) | 402 |

- (a) On May 24, 2012 and April 26, 2013, the Company made repurchase of 1,000,000 and 3,550,000 Series A Preferred Shares from the Series A Preferred Shares Investors at a repurchase price of US\$2.50 and US\$2.00 per share, respectively. Gain or loss on repurchase of preferred shares represents the difference between the repurchase price and fair value of the preferred shares on repurchase date.

10 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended December 31, 2011, 2012 and 2013 are analyzed as follows:

| | Year Ended December 31, | | |
|--|-------------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Current income tax: | | | |
| – PRC corporate income tax. | 17,040 | 31,889 | 27,601 |
| Deferred income tax (Note 31) | | | |
| – Origination and reversal of temporary differences. | (11,720) | (19,941) | 8,577 |
| | <u>5,320</u> | <u>11,948</u> | <u>36,178</u> |

(a) Cayman Islands Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong Profits Tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax during the Relevant Periods. It has been provided for at the rate of 16.5% on the estimated assessable profits for each of the years ended December 31, 2011, 2012 and 2013, respectively.

(c) PRC Enterprise Income Tax (“EIT”)

For the year presented, the Group’s subsidiaries and the PRC Operating Entities are subject to Enterprise Income Tax (“EIT”) on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law (“EIT Law”). Pursuant to the EIT Laws, the Group’s subsidiaries and the PRC Operating Entities are generally subject to EIT at the statutory rate of 25%.

Hantang, Hangzhou Tiange, Jibhua99, Zhejiang Tiange and Star Power qualified as “Software Enterprise” under the EIT Law in 2006, 2009, 2010, 2011 and 2011, respectively. Consequently, these entities are entitled to a two-year EIT exemption followed by a three-year 50% EIT rate reduction commencing from the first year of commercial operation or the first year with tax profit after the qualification.

The following table sets out tax benefit and applicable CIT rate of Group’s subsidiaries and the PRC Operating Entities in the PRC:

| Name | Tax benefit | Applicable EIT rate in | | |
|-----------------------|---|------------------------|-------|-------|
| | | 2011 | 2012 | 2013 |
| Hangzhou Tiange . . . | Qualified as a software enterprise since 2009, and is subject to a 0% EIT rate in 2009 and 2010 and a 50% tax rate reduction to an applicable rate from 2011 to 2013. | 12.5% | 12.5% | 12.5% |
| Zhejiang Tiange . . . | Qualified as a software enterprise since 2011, and is subject to a 0% EIT rate in 2011 and 2012 and a 50% tax rate reduction to an applicable rate from 2013 to 2015. | 0% | 0% | 12.5% |

| Name | Tax benefit | Applicable EIT rate in | | |
|----------------------|--|------------------------|-------|-------|
| | | 2011 | 2012 | 2013 |
| Star Power | Qualified as a software enterprise since 2011, and is subject to a 0% EIT rate in 2011 and 2012 and a 50% tax rate reduction to an applicable rate from 2013 to 2015. | 0% | 0% | 12.5% |
| Jinhua9158 | No tax benefit. | 25% | 25% | 25% |
| Hantang | No tax benefit. | 25% | 25% | 25% |
| Jinhua99 | Qualified as a software enterprise, which is retroactively effective since 2009, and is subject to a 0% EIT rate in 2010 and a 50% rate reduction to an applicable rate from 2011 to 2013. | 12.5% | 12.5% | 12.5% |
| Xingxiu | No tax benefit. | N/A | 25% | 25% |
| Tianhu | No tax benefit. | N/A | N/A | 25% |

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 50% of qualified research and development expenses can only be claimed directly in the annual EIT filing and subject to the approval from the relevant tax authorities. The Group has claimed such Super Deduction during the Relevant Periods and booked the EIT amount upon approval.

(d) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to losses of the consolidated entities as follows:

| | Year Ended December 31, | | |
|--|-------------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Loss before income tax | (75,286) | (15,285) | (56,431) |
| Tax calculated at a tax rate of 25% | (18,822) | (3,821) | (14,108) |
| Tax effects of: | | | |
| Loss not subject to tax | 54,157 | 44,894 | 72,721 |
| Different tax jurisdiction | – | (47) | (380) |
| Preferential income tax rates applicable to subsidiaries | (31,749) | (42,280) | (23,240) |
| Withholding tax for appropriation of dividend (i) | – | 12,622 | – |
| Super deduction for research and development expenses | – | (1,537) | (1,095) |
| Expenses not deducted for income tax purposes | | | |
| – Share-based compensation | 977 | 1,370 | 1,389 |
| – Other permanent difference | 757 | 747 | 891 |
| Income tax expense | 5,320 | 11,948 | 36,178 |

- (i) Up to December 2012, no dividend appropriation plan had been made by the Company's board of directors and no WHT was applicable. Pursuant to the resolutions of the board meeting of Hangzhou Tiange and Zhejiang Tiange in December 2012, Hangzhou Tiange and Zhejiang Tiange declared a one-off dividend of RMB82,040 thousand (US\$13,000 thousand) and RMB44,176 thousand (US\$7,000 thousand), respectively, to Week8 HK, which were subject to a 10% WHT at a total amount of RMB12,621,600 (US\$2,000,000) for the year ended December 31, 2013. The undistributed profits are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future.

11 LOSS PER SHARE

(a) Basic

Basic loss per share are calculated by dividing the loss of the Group attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during each year.

| | Year Ended December 31, | | |
|--|-------------------------|------------|------------|
| | 2011 | 2012 | 2013 |
| Loss attributable to shareholders of the Company (RMB'000) | 80,606 | 27,233 | 92,602 |
| Weighted average number of ordinary shares in issue | 34,000,000 | 63,672,131 | 64,000,000 |
| Basic loss per share (in RMB/share). | 2.37 | 0.43 | 1.45 |

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted loss per share for the years ended December 31, 2011, 2012 and 2013 are the same as basic loss per share in the respective years.

For the year ended December 31, 2011, the Company has three categories of dilutive potential ordinary shares, convertible redeemable preferred shares, convertible redeemable ordinary shares and share options granted to employees under 2008 Global Share Option Plan (note 24) are assumed to have been fully vested and released from restrictions with no impact on earnings.

For the years ended December 31, 2012 and 2013, the Company has two categories of dilutive potential ordinary shares, convertible redeemable preferred shares and share options granted to employees under 2008 Global Share Option Plan are assumed to have been fully vested and released from restrictions with no impact on earnings.

As the Group incurred loss for the years ended December 31, 2011, 2012 and 2013, the convertible redeemable preferred shares, the convertible redeemable ordinary shares and the share options are anti-dilutive and, consequently, not included in the computation of diluted losses per share.

12 DIVIDENDS

| | Year Ended December 31, | | |
|--|-------------------------|---------|---------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Dividends declared by the Company. | – | – | 88,512 |

Pursuant to the resolution of the Company's board meeting in January 2013, the Company declared dividend of US\$20,000 thousand (RMB123,792 thousand) to the holders of the ordinary shares, Series A Preferred Shares and Series B Preferred Shares, of which US\$7,836 thousand (RMB49,630 thousand) has been paid and US\$12,164 thousand (RMB74,161 thousand) remained payable as of December 31, 2013 had been settled in June 2014.

13 PROPERTY AND EQUIPMENT

| | Furniture and Office Equipment | Server and Other Equipment | Motor Vehicles | Leasehold Improvement | CIP | Total |
|---------------------------------------|--------------------------------------|----------------------------------|-------------------|--------------------------|------------|---------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As of January 1, 2011 | | | | | | |
| Cost | 1,286 | 15,942 | 2,152 | 1,714 | – | 21,094 |
| Accumulated depreciation | (323) | (6,191) | (435) | (269) | – | (7,218) |
| Net book amount | <u>963</u> | <u>9,751</u> | <u>1,717</u> | <u>1,445</u> | <u>–</u> | <u>13,876</u> |
| Year ended December 31, 2011 | | | | | | |
| Opening net book amount | 963 | 9,751 | 1,717 | 1,445 | – | 13,876 |
| Additions | 1,363 | 8,682 | 512 | 1,715 | – | 12,272 |
| Disposals | – | (17) | – | – | – | (17) |
| Depreciation charge | (396) | (5,876) | (540) | (767) | – | (7,579) |
| Closing net book amount | <u>1,930</u> | <u>12,540</u> | <u>1,689</u> | <u>2,393</u> | <u>–</u> | <u>18,552</u> |
| As of December 31, 2011 | | | | | | |
| Cost | 2,649 | 24,592 | 2,664 | 3,429 | – | 33,334 |
| Accumulated depreciation | (719) | (12,052) | (975) | (1,036) | – | (14,782) |
| Net book amount | <u>1,930</u> | <u>12,540</u> | <u>1,689</u> | <u>2,393</u> | <u>–</u> | <u>18,552</u> |
| Year ended December 31, 2012 | | | | | | |
| Opening net book amount | 1,930 | 12,540 | 1,689 | 2,393 | – | 18,552 |
| Additions | 434 | 7,223 | 799 | 2,120 | 956 | 11,532 |
| Disposals | (113) | (54) | – | – | – | (167) |
| Depreciation charge | (600) | (6,521) | (688) | (1,806) | – | (9,615) |
| Closing net book amount | <u>1,651</u> | <u>13,188</u> | <u>1,800</u> | <u>2,707</u> | <u>956</u> | <u>20,302</u> |
| As of December 31, 2012 | | | | | | |
| Cost | 2,914 | 31,505 | 3,463 | 5,549 | 956 | 44,387 |
| Accumulated depreciation | (1,263) | (18,317) | (1,663) | (2,842) | – | (24,085) |
| Net book amount | <u>1,651</u> | <u>13,188</u> | <u>1,800</u> | <u>2,707</u> | <u>956</u> | <u>20,302</u> |
| Year ended December 31, 2013 | | | | | | |
| Opening net book amount | 1,651 | 13,188 | 1,800 | 2,707 | 956 | 20,302 |
| Additions | 503 | 5,302 | 1,484 | 477 | – | 7,766 |
| Transfer from CIP | – | – | – | 956 | (956) | – |
| Disposals | (1) | (106) | – | – | – | (107) |
| Depreciation charge | (717) | (7,276) | (795) | (2,437) | – | (11,225) |
| Closing net book amount | <u>1,436</u> | <u>11,108</u> | <u>2,489</u> | <u>1,703</u> | <u>–</u> | <u>16,736</u> |
| As of December 31, 2013 | | | | | | |
| Cost | 3,396 | 34,846 | 4,947 | 6,981 | – | 50,170 |
| Accumulated depreciation | (1,960) | (23,738) | (2,458) | (5,278) | – | (33,434) |
| Net book amount | <u>1,436</u> | <u>11,108</u> | <u>2,489</u> | <u>1,703</u> | <u>–</u> | <u>16,736</u> |

Depreciation charges were included in the following categories in the profit or loss:

| | Year Ended December 31, | | |
|---|-------------------------|--------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Cost of revenue | 3,615 | 3,989 | 4,958 |
| Selling and marketing expenses | 2,152 | 2,499 | 1,975 |
| Administrative expenses | 462 | 624 | 769 |
| Research and development expenses | 1,350 | 2,503 | 3,523 |
| | <u>7,579</u> | <u>9,615</u> | <u>11,225</u> |

14 INTERESTS IN A SUBSIDIARY – THE COMPANY

| | As of December 31, | | |
|---|--------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Investment in a subsidiary (a) | – | – | – |
| Deemed investments arising from share-based compensation (b) | 5,544 | 11,022 | 16,577 |
| Amount due from a subsidiary (c) | 76,424 | 79,695 | 36,761 |
| | <u>81,968</u> | <u>90,717</u> | <u>53,338</u> |

Details of the subsidiaries of the Group are set out in Note 1(b) of Section II.

- (a) The Company's investment in a subsidiary is HK\$1.
- (b) The amount represents share-based compensation expenses arising from the share options granted to eligible employees of certain subsidiaries in exchange for their services provided to certain subsidiaries now comprising the Group, which were deemed to be investments made by the Company into these subsidiaries.
- (c) The balance is unsecured and interest free with no fixed repayment term.

15 INTANGIBLE ASSETS – THE GROUP

| | Goodwill | Computer Software | Domain Name and Technology | Total |
|-------------------------------------|---------------------|----------------------|----------------------------------|--------------|
| | RMB'000 (Note a) | RMB'000 | RMB'000 | RMB'000 |
| As of January 1, 2011 | | | | |
| Cost | 2,046 | 556 | 6,616 | 9,218 |
| Accumulated amortization | – | (77) | (962) | (1,039) |
| Net book amount | <u>2,046</u> | <u>479</u> | <u>5,654</u> | <u>8,179</u> |
| Year ended December 31, 2011 | | | | |
| Opening net book amount | 2,046 | 479 | 5,654 | 8,179 |
| Exchange difference | (99) | – | (253) | (352) |
| Addition (b) | – | 1,101 | 1,120 | 2,221 |
| Amortization charge | – | (388) | (1,079) | (1,467) |
| Closing net book amount | <u>1,947</u> | <u>1,192</u> | <u>5,442</u> | <u>8,581</u> |
| As of December 31, 2011 | | | | |
| Cost | 1,947 | 1,657 | 7,736 | 11,340 |
| Accumulated amortization | – | (465) | (2,294) | (2,759) |
| Net book amount | <u>1,947</u> | <u>1,192</u> | <u>5,442</u> | <u>8,581</u> |

| | Goodwill | Computer Software | Domain Name and Technology | Total |
|-------------------------------------|-----------------|------------------------------|---|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Year ended December 31, 2012 | | | | |
| Opening net book amount | 1,947 | 1,192 | 5,442 | 8,581 |
| Exchange difference. | (4) | – | (7) | (11) |
| Additions | – | 239 | – | 239 |
| Amortization charge. | – | (564) | (1,087) | (1,651) |
| Closing net book amount. | <u>1,943</u> | <u>867</u> | <u>4,348</u> | <u>7,158</u> |
| As of December 31, 2012 | | | | |
| Cost | 1,943 | 1,896 | 7,736 | 11,575 |
| Accumulated amortization | – | (1,029) | (3,388) | (4,417) |
| Net book amount | <u>1,943</u> | <u>867</u> | <u>4,348</u> | <u>7,158</u> |
| Year ended December 31, 2013 | | | | |
| Opening net book amount | 1,943 | 867 | 4,348 | 7,158 |
| Exchange difference. | (59) | – | (88) | (147) |
| Additions | – | 476 | – | 476 |
| Amortization charge. | – | (555) | (1,068) | (1,623) |
| Closing net book amount. | <u>1,884</u> | <u>788</u> | <u>3,192</u> | <u>5,864</u> |
| As of December 31, 2013 | | | | |
| Cost | 1,884 | 2,372 | 7,736 | 11,992 |
| Accumulated amortization | – | (1,584) | (4,544) | (6,128) |
| Net book amount | <u>1,884</u> | <u>788</u> | <u>3,192</u> | <u>5,864</u> |

Company

| | Goodwill | Domain Name and Technology | Total |
|-------------------------------------|-----------------|---|----------------|
| | RMB'000 | RMB'000 | RMB'000 |
| | (Note a) | | |
| As of January 1, 2011 | | | |
| Cost | 2,046 | 6,616 | 8,662 |
| Accumulated amortization | – | (962) | (962) |
| Net book amount | <u>2,046</u> | <u>5,654</u> | <u>7,700</u> |
| Year ended December 31, 2011 | | | |
| Opening net book amount | 2,046 | 5,654 | 7,700 |
| Exchange difference. | (99) | (253) | (352) |
| Amortization charge. | – | (995) | (995) |
| Closing net book amount. | <u>1,947</u> | <u>4,406</u> | <u>6,353</u> |
| As of December 31, 2011 | | | |
| Cost | 1,947 | 6,363 | 8,310 |
| Accumulated amortization | – | (1,957) | (1,957) |
| Net book amount | <u>1,947</u> | <u>4,406</u> | <u>6,353</u> |
| Year ended December 31, 2012 | | | |
| Opening net book amount | 1,947 | 4,406 | 6,353 |
| Exchange difference. | (4) | (8) | (12) |
| Amortization charge. | – | (975) | (975) |
| Closing net book amount. | <u>1,943</u> | <u>3,423</u> | <u>5,366</u> |
| As of December 31, 2012 | | | |
| Cost | 1,943 | 6,355 | 8,298 |
| Accumulated amortization | – | (2,932) | (2,932) |
| Net book amount | <u>1,943</u> | <u>3,423</u> | <u>5,366</u> |

| | Goodwill | Domain Name and Technology | Total |
|-------------------------------------|-----------------|---|----------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Year ended December 31, 2013 | | | |
| Opening net book amount | 1,943 | 3,423 | 5,366 |
| Exchange difference. | (59) | (87) | (146) |
| Amortization charge. | – | (956) | (956) |
| Closing net book amount. | <u>1,884</u> | <u>2,380</u> | <u>4,264</u> |
| As of December 31, 2013 | | | |
| Cost | 1,884 | 6,268 | 8,152 |
| Accumulated amortization | – | (3,888) | (3,888) |
| Net book amount | <u>1,884</u> | <u>2,380</u> | <u>4,264</u> |

- (a) In July 2010, the Group received a cash consideration of US\$10,000,000 and a non-cash consideration including a sole license to operate Sina Show platform for a five year period and certain intellectual property rights from the Series C Preferred Shares Investors for the issuance of the Series C Preferred Shares. The acquisition of non-cash consideration qualified as a business combination. Goodwill of US\$309,000 arose from the difference between the total consideration paid by the Series C Preferred Shares Investors and the fair value of the Series C Preferred Shares issued. Goodwill is not expected to be deductible for income tax purposes. Based on the assessment made by the directors of the Company, no provision for impairment on goodwill was required during the Relevant Periods.
- (b) In April 2011, the Group acquired a domain name “www.fensi.com” at a cash consideration of RMB1,120 thousand. As of December 31, 2011, 2012 and 2013, no impairment was expected.

Amortization charges were included in the following categories in the profit or loss:

| | Year Ended December 31, | | |
|--|--------------------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Cost of revenue | 995 | 975 | 956 |
| Selling and marketing expense | 238 | 498 | 290 |
| Administrative expenses | 231 | 159 | 170 |
| Research and development expenses. | 3 | 19 | 207 |
| | <u>1,467</u> | <u>1,651</u> | <u>1,623</u> |

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

| | As of December 31, | | |
|--|---------------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Assets as per balance sheet | | | |
| Loans and receivables: | | | |
| – Trade receivables | 10,442 | 10,516 | 20,804 |
| – Other receivables (excluding prepayments and deferred listing expenses). | 24,278 | 54,426 | 53,393 |
| – Cash and cash equivalents. | 174,944 | 136,637 | 171,896 |
| – Restricted cash | – | – | 120,000 |
| – Term deposits with initial term over 3 months | 131,666 | 152,336 | 21,873 |
| Available-for-sale financial assets | 2,000 | 146,402 | 280,440 |
| | <u>343,330</u> | <u>500,317</u> | <u>668,406</u> |

| | As of December 31, | | |
|---|--------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Liabilities as per balance sheet | | | |
| Financial liabilities at amortized cost | | | |
| – Borrowings | – | – | 109,745 |
| – Trade payables | 12,912 | 21,320 | 13,883 |
| – Other payables and accruals (excluding deposit payables, accrued payroll and other tax liabilities) | 22,092 | 49,079 | 68,241 |
| – Dividend payables | – | – | 74,161 |
| Financial liabilities at fair value through profit or loss | | | |
| – Convertible redeemable preferred shares | 349,196 | 355,162 | 548,471 |
| – Redeemable ordinary shares | 71,017 | – | – |
| | <u>455,217</u> | <u>425,561</u> | <u>814,501</u> |

The Company

| | As of December 31, | | |
|---|--------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Assets as per balance sheet | | | |
| Loans and receivables: | | | |
| – Cash and cash equivalents | 320 | 3,143 | 73,170 |
| – Amount due from Mr. Fu Zhengjun | 21 | 21 | 21 |
| – Amount due from a subsidiary | 76,424 | 79,695 | 36,761 |
| – Deferred listing expenses | – | – | 1,213 |
| | <u>76,765</u> | <u>82,859</u> | <u>111,165</u> |
| Liabilities as per balance sheet | | | |
| Financial liabilities at amortized cost | | | |
| – Trade payables | – | – | – |
| – Other payables and accruals (excluding deposit payables, accrued payroll and other tax liabilities) | 17,643 | 39,934 | 42,212 |
| – Dividend payables | – | – | 74,161 |
| Financial liabilities at fair value through profit or loss | | | |
| – Convertible redeemable preferred shares | 349,196 | 355,162 | 548,471 |
| – Redeemable ordinary shares | 71,017 | – | – |
| | <u>437,856</u> | <u>395,096</u> | <u>664,844</u> |

17 INVESTMENT IN ASSOCIATES – THE GROUP

The amounts recognized in the balance sheet are as follows:

| | As of December 31, | | |
|---------------------|--------------------|----------|--------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Associate | – | – | 4,900 |
| | <u>–</u> | <u>–</u> | <u>4,900</u> |

Set out below is the associate of the Group as of December 31, 2013, which, in the opinion of the directors, is not material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as of December 31, 2011, 2012 and 2013

| Name of entity | Place of business | % of ownership | Nature of relationship | Measurement method |
|--|-------------------|----------------|------------------------|--------------------|
| Sun's Catering & Entertainment Management (Hangzhou) Co., Ltd. ("Sun") (孫記餐飲娛樂管理(杭州)有限公司) | Hangzhou, PRC | 49% | Note a | Equity |

(a) Sun primarily engages in the operation of a physical KTV store in Hangzhou, the PRC.

18 TRADE RECEIVABLES

| | As of December 31, | | |
|---|--------------------|---------|---------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Third parties | 6,210 | 4,349 | 14,262 |
| Amount due from related parties (Note 34(c)). . . | 4,232 | 6,167 | 6,542 |
| | 10,442 | 10,516 | 20,804 |
| Less: provision for impairment | – | – | – |
| | 10,442 | 10,516 | 20,804 |

As of December 31, 2011, 2012 and 2013, the fair values of trade receivables approximated their carrying amounts.

(a) Aging analysis based on recognition date of the gross trade receivables at the respective balance sheet dates are as follows:

| | As of December 31, | | |
|-----------------------|--------------------|---------|---------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| 0-90 days | 10,442 | 7,997 | 14,741 |
| 91-180 days. | – | 2,053 | 4,931 |
| 181-365 days. | – | 466 | 275 |
| Over 1 year. | – | – | 857 |
| | 10,442 | 10,516 | 20,804 |

(b) The carrying amount of the Group's trade receivables are denominated in the following currencies:

| | As of December 31, | | |
|----------------|--------------------|---------|---------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| RMB | 10,442 | 9,747 | 19,035 |
| US\$ | – | 769 | 1,769 |
| | 10,442 | 10,516 | 20,804 |

(c) The maximum exposure to credit risk at each of the reporting dates is the carrying value of the net receivable balance. The Group does not hold any collateral as security.

19 PREPAYMENTS AND OTHER RECEIVABLES

The Group

| | As of December 31, | | |
|--|--------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Included in non-current assets | | | |
| Long-term prepaid expenses | 2,316 | 2,050 | 6,902 |
| Prepayments for property and equipment | – | 70,709 | 103,835 |
| | <u>2,316</u> | <u>72,759</u> | <u>110,737</u> |
| Included in current assets | | | |
| Loan deposits due from related parties | | | |
| (Note 34(e)) | – | 22,274 | 22,274 |
| Amounts due from Mr. Fu Zhengjun | – | 7,200 | 7,200 |
| Cash advance to an investment agent (a) | 17,724 | 17,724 | 17,724 |
| Prepayment of other tax | – | 682 | 1,184 |
| Rental and other deposits | 2,857 | 2,201 | 2,256 |
| Staff advance | 2,366 | 3,079 | 1,498 |
| Prepaid promotion expenses | 2,702 | 4,426 | 10,715 |
| Prepaid technical service fee | – | 2,450 | 283 |
| Deferred listing expenses | – | – | 1,213 |
| Others | 1,331 | 1,948 | 2,441 |
| | <u>26,980</u> | <u>61,984</u> | <u>66,788</u> |
| Less: provision for impairment of other receivables | – | – | – |
| | <u>29,296</u> | <u>134,743</u> | <u>177,525</u> |

- (a) The balance represents the cash advance to an investment agent, which would serve as a down payment if any investment is successful and shall be returned to the Company if no successful investment is done. The arrangement was made in 2011 and has been renewed on an annual basis from 2011 to 2013. The total amount was returned as of the date of this report.

As of December 31, 2011, 2012 and 2013, the carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximated their fair values. As of December 31, 2011, 2012 and 2013, there were no significant balances that are past due.

The maximum exposure to credit risk at each of the reporting dates is the carrying value of each class of other receivables mentioned above. The Group does not hold any collateral as security.

The Company

| | As of December 31, | | |
|---|--------------------|-----------|--------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Amount due from Mr. Fu Zhengjun | 21 | 21 | 21 |
| Deferred listing expenses | – | – | 1,213 |
| | <u>21</u> | <u>21</u> | <u>1,234</u> |

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

| | As of December 31, | | |
|------------------------------------|--------------------|-----------|-------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Non-current | | | |
| At beginning of the year | – | 2,000 | 2,000 |
| Additions (Note a) | 2,000 | – | 300 |
| At end of the year | 2,000 | 2,000 | 2,300 |
| Current (Note b) | | | |
| At beginning of the year | – | – | 144,402 |
| Additions | – | 933,457 | 2,247,387 |
| Repayment | – | (789,055) | (2,113,649) |
| At end of the year | – | 144,402 | 278,140 |

- (a) In September 2011, the Group acquired 10% equity interest in Zhejiang Soudao Web Technology Co., Ltd. (浙江搜道網絡技術有限公司, “Soudao”), which is mainly engaged in developing website plug-in technology in the PRC, at a consideration of RMB2,000,000. The fair value of the equity investment approximated its carrying amount as of December 31, 2011, 2012 and 2013.

In August 2013, the Group acquired 20% equity in Shanghai Gepu Information Technology Co., Ltd. (上海格譜技術有限公司, “Gepu”), which is mainly engaged in developing codecs applying in online video platforms.

- (b) The fair value of the structured deposits approximated its carrying amount. The Group's available-for-sale financial assets refer to RMB-denominated structured deposits with floating interest rates ranging from 3% to 6% per annum and maturity period within one year. These structured deposits are offered by large state-owned commercial banks in the PRC.

21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

| | As of December 31, | | |
|---|--------------------|---------|---------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Current | | | |
| Cash at bank and on hand | 174,944 | 136,637 | 171,896 |
| Restricted cash (a) | – | – | 33,000 |
| | 174,944 | 136,637 | 204,896 |
| Non-current | | | |
| Restricted cash (a) | – | – | 87,000 |
| Total cash and cash equivalents and restricted cash | 174,944 | 136,637 | 291,896 |
| Maximum exposure to credit risk | 174,944 | 136,637 | 291,896 |

The Company

| | As of December 31, | | |
|---|--------------------|---------|---------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Cash at bank and on hand | 320 | 3,143 | 73,170 |
| Maximum exposure to credit risk | 320 | 3,143 | 73,170 |

Cash and cash equivalents are denominated in the following currencies:

The Group

| Group | As of December 31, | | |
|----------------|--------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| RMB | 174,412 | 130,039 | 203,196 |
| US\$ | 532 | 6,598 | 88,699 |
| HK\$ | – | – | 1 |
| | <u>174,944</u> | <u>136,637</u> | <u>291,896</u> |

The Company

| Company | As of December 31, | | |
|----------------|--------------------|--------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| RMB | 6 | 6 | – |
| US\$ | 314 | 3,137 | 73,170 |
| | <u>320</u> | <u>3,143</u> | <u>73,170</u> |

(a) As of December 31, 2013, RMB120,000,000 are restricted deposits held at bank as a pledge for the bank borrowings (Note 29).

22 SHARE CAPITAL

| | Number of Shares | Nominal Value of Shares | Equivalent Nominal Value of Share |
|--|-------------------|-------------------------|-----------------------------------|
| | | US\$'000 | RMB'000 |
| Issued and paid-in in full: | | | |
| Ordinary shares upon incorporation | 34,000,000 | 3.4 | 23 |
| As of January 1, 2011 | 34,000,000 | 3.4 | 23 |
| As of December 31, 2011 | 34,000,000 | 3.4 | 23 |
| As of January 1, 2012 | 34,000,000 | 3.4 | 23 |
| Conversion from Series C preferred shares. | 30,000,000 | 3.0 | 19 |
| As of December 31, 2012 | 64,000,000 | 6.4 | 42 |
| As of December 31, 2013 | <u>64,000,000</u> | <u>6.4</u> | <u>42</u> |

The Company was incorporated on July 28, 2008 with an authorized share capital of US\$6,000 divided into 60,000,000 ordinary shares of US\$0.0001 each. In November 2008, 34,000,000 ordinary shares of US\$0.0001 each were issued, totaling US\$3,400 (equivalent to approximately RMB23,000), to Mr. Fu Zhengjun and Mr. Fu Yanchang.

According to the special resolution by the shareholders passed on December 25, 2008, the authorized share capital increased to US\$8,600 divided into 86,000,000 shares at a par value of US\$0.0001 each.

According to the special resolution by the shareholders passed on July 15, 2010, the authorized share capital increased to US\$11,600 divided into 116,000,000 shares at par value US\$0.0001 each.

On January 4, 2012, the Series C Preferred Shares Investors converted all the 20,000,000 Series C Preferred Shares to ordinary shares and waived the redemption rights on Series C Ordinary Shares pursuant to the terms and conditions of the Deed of Waiver they entered into with the Company.

23 RESERVES

The Group

| | Statutory Reserves | Share-based Compensation Reserve | Share Premium Reserve | Currency Translation Differences | Total |
|---|--------------------|----------------------------------|-----------------------|----------------------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at January 1, 2011 | 6,479 | 1,637 | – | 3,702 | 11,818 |
| Share-based compensation (Note 24) | – | 3,907 | – | – | 3,907 |
| Currency translation differences | – | – | – | 13,674 | 13,674 |
| Profit appropriations to statutory reserves (Note a) | 7,559 | – | – | – | 7,559 |
| At December 31, 2011 | <u>14,038</u> | <u>5,544</u> | <u>–</u> | <u>17,376</u> | <u>36,958</u> |
| Share-based compensation (Note 24) | – | 5,478 | – | – | 5,478 |
| Currency translation differences | – | – | – | 1,302 | 1,302 |
| Profit appropriations to statutory reserves (Note a) | 777 | – | – | – | 777 |
| Conversion of Series C Preferred Shares and waiver of Series C Ordinary Shares redemption right | – | – | 228,215 | – | 228,215 |
| At December 31, 2012 | <u>14,815</u> | <u>11,022</u> | <u>228,215</u> | <u>18,678</u> | <u>272,730</u> |
| Share-based compensation (Note 24) | – | 5,555 | – | – | 5,555 |
| Currency translation differences | – | – | – | 14,577 | 14,577 |
| Profit appropriations to statutory reserves (Note a) | 1,058 | – | – | – | 1,058 |
| Appropriation of dividends (Note 12) | – | – | (88,512) | – | (88,512) |
| At December 31, 2013 | <u>15,873</u> | <u>16,577</u> | <u>139,703</u> | <u>33,255</u> | <u>205,408</u> |

The Company

| | Share-based Compensation Reserve | Share Premium Reserve | Currency Translation Differences | Total |
|---|----------------------------------|-----------------------|----------------------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at January 1, 2011 | 1,637 | – | 3,302 | 4,939 |
| Share-based compensation | 3,907 | – | – | 3,907 |
| Currency translation differences | – | – | 11,815 | 11,815 |
| At December 31, 2011 | <u>5,544</u> | <u>–</u> | <u>15,117</u> | <u>20,661</u> |
| Share-based compensation | 5,478 | – | – | 5,478 |
| Currency translation differences | – | – | 1,067 | 1,067 |
| Conversion of Series C Preferred Shares and waiver of Series C Ordinary Shares redemption right | – | 228,215 | – | 228,215 |
| At December 31, 2012 | <u>11,022</u> | <u>228,215</u> | <u>16,184</u> | <u>255,421</u> |
| Share-based compensation | 5,555 | – | – | 5,555 |
| Currency translation differences | – | – | 13,059 | 13,059 |
| Appropriation of dividends (Note 12) | – | (88,512) | – | (88,512) |
| At December 31, 2013 | <u>16,577</u> | <u>139,703</u> | <u>29,243</u> | <u>185,523</u> |

- (a) In accordance with the Corporate Law in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, i.e. the PRC Operating Entities, it is required to appropriate 10% of the annual net profits of the PRC Operating Entities, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the PRC Operating Entities, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalized as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

24 SHARE-BASED PAYMENTS – THE GROUP AND THE COMPANY

On December 9, 2008, the Board of Directors of the Company approved the establishment of 2008 Global Share Option Plan that provides for granting options to eligible directors and employees (collectively, the "Grantees") to acquire ordinary shares of the Company at an exercise price as determined by the Board at the time of grant. Upon the 2008 Global Share Option Plan, the Board of Directors authorized and reserved 11,000,000 ordinary shares for the issuance.

The Share Option Plan was amended on October 21, 2011 to increase the aggregate number of Ordinary Shares available for issuance thereunder by 2,000,000 Ordinary Shares from 11,000,000 Ordinary Shares to 13,000,000 Ordinary Shares.

- (a) On January 14, 2009, the Company granted 2,050,000 and 3,950,000 ordinary share options to its directors and employees at an exercise price of US\$0.001 and US\$0.10 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested upon closing of Series B Preferred Shares financing on January 14, 2009. Since then, these options were vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.
- (b) On July 23, 2009, the Company granted 680,000 and 970,000 ordinary share options to its directors and employees at an exercise price of US\$0.21 and US\$0.30 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on June 9, 2010. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.
- (c) On June 17, 2010, the Company granted 331,000 ordinary share options to its directors and employees at an exercise price of US\$0.60. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on May 5, 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.
- (d) On September 6, 2010, the Company granted 3,000,000 and 196,000 ordinary share options to its directors and employees at an exercise price of US\$0.35 and US\$0.60 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on September 6, 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.
- (e) On December 20, 2010, the Company granted 20,000, 1,000,000 and 425,000 ordinary share options to its directors and employees at an exercise price of US\$0.30, US\$0.35 and US\$0.60 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on December 20, 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.
- (f) On December 26, 2011, the Company granted 200,000, 185,000, and 277,000 ordinary share options to its directors and employees at an exercise price of US\$0.60, US\$1.0 and US\$1.20 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on December 26, 2012. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.
- (g) On October 14, 2012, the Company granted 990,000 ordinary share options to its directors and employees at an exercise price of US\$1.50. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on June 30, 2013. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.
- (h) On September 14, 2013, the Company granted 255,000 ordinary share options to its directors and employees at an exercise price of US\$2.00. Subject to the Grantee continuing to be a service provider, 25% of these options will be vested on September 14, 2014. Since then, these options will be vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

All the ordinary share options authorized by the 2008 Share Plan are only exercisable until the occurrence of the earliest of any of the trigger events ("Trigger Event") (A) the Initial Public Offering, (B) a Change in Control in which the successor entity has equity securities publicly traded on an internationally-recognized stock exchange, and (C) upon such date that the Option may be legally exercised pursuant to Applicable Law, as evidenced by a legal opinion provided to and approved by the Board. All ordinary share options granted will be expired after 10 years from the vesting commencement date.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | <u>Average Exercise Price in US\$ per Share Option</u> | <u>Number of Share Options</u> |
|--|--|------------------------------------|
| At January 1, 2011. | | 10,416,000 |
| Granted | 0.9628 | 662,000 |
| Cancelled | 0.1906 | (190,000) |
| Forfeited. | 0.5165 | (26,937) |
| At December 31, 2011. | | 10,861,063 |
| Granted | 1.5000 | 990,000 |
| Forfeited. | 1.0932 | (9,125) |
| At December 31, 2012. | | 11,841,938 |
| Granted | 2.0000 | 255,000 |
| Cancelled | 1.2583 | (15,552) |
| Forfeited. | 0.7109 | (84,876) |
| At December 31, 2013. | | 11,996,510 |

As of December 31, 2013, no share options were exercisable as the Trigger Event has not been met.

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimate.

Based on fair value of the underlying ordinary share, the directors have used Binominal pricing model to determine the fair value of the share option as of the grant date. The weighted average fair value of options granted during the period was US\$3.03 (approximately equivalent to RMB19.02) per option. Key assumptions are set as below:

| | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|----------------------------------|-------------|-------------|-------------|
| Risk-free interest rate. | 2.025% | 1.657% | 2.886% |
| Volatility | 54.9% | 52.4% | 48% |
| Dividend yield | 0.00% | 0.00% | 0.00% |

The directors estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

The total expense recognized in the consolidated statements of comprehensive loss for share options granted to directors and employees is disclosed in Note 8.

25 ACCUMULATED DEFICITS – COMPANY

| | RMB'000 |
|---|----------------|
| Balance at January 1, 2011 | 141,028 |
| Loss for the year | 229,952 |
| Balance at December 31, 2011 | 370,980 |
| Loss for the year | 181,188 |
| Balance at December 31, 2012 | 552,168 |
| Loss for the year | 166,830 |
| Balance at December 31, 2013 | 718,998 |

26 CUSTOMER ADVANCE AND DEFERRED REVENUE

| | As of December 31, | | |
|--------------------------------|--------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Customer advance (a). | 3,621 | 14,730 | 4,153 |
| Deferred revenue (b) | 12,752 | 16,082 | 19,874 |
| | <u>16,373</u> | <u>30,812</u> | <u>24,027</u> |

(a) Customer advance refers to the purchased virtual currency owned by the distributors which has not been sold to the users.

(b) Deferred revenue refers to the unconsumed virtual currency owned by the users which can be used on the Group's live social video communities.

27 TRADE PAYABLES

Trade payables were mainly due to information service charge, game development outsourcing costs, technical services charge and server custody fees.

| | As of December 31, | | |
|---------------------------------------|--------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Third parties | 4,912 | 8,025 | 8,591 |
| Related parties (Note 34(c)). | 8,000 | 13,295 | 5,292 |
| | <u>12,912</u> | <u>21,320</u> | <u>13,883</u> |

The aging analysis of trade payables based on recognition date is as follows:

| | As of December 31, | | |
|------------------------|--------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| 0-90 days | 12,656 | 21,078 | 3,261 |
| 91-180 days. | 256 | 234 | 3,159 |
| 181-365 days | – | 8 | 2,933 |
| Over 1 year | – | – | 4,530 |
| | <u>12,912</u> | <u>21,320</u> | <u>13,883</u> |

As of December 31, 2011, 2012 and 2013, trade payables were denominated in RMB and the fair value of trade payables approximately their carrying amounts at each of the report date.

28 OTHER PAYABLES AND ACCRUALS

Group

| | As of December 31, | | |
|---|--------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Deposit payables (Note a) | 30,691 | 65,922 | 33,873 |
| Borrowing from a third party (Note b) | 17,643 | 17,599 | 17,071 |
| Borrowing from Related Parties (Note 34(e)) | – | 21,999 | 21,339 |
| Staff costs and welfare accruals | 7,590 | 9,084 | 9,570 |
| VAT & Other tax liabilities (Note c). | 3,073 | 1,674 | 2,947 |
| Audit expenses payable. | 2,264 | 2,729 | 4,416 |
| Human resource outsourcing service fee payable. | 1,445 | 1,938 | 2,925 |
| Accrued promotion expense payable. | 280 | 4,186 | 17,472 |
| Interest payable | – | – | 1,090 |
| Listing expenses payable. | – | – | 3,475 |
| Others | 460 | 628 | 453 |
| | <u>63,446</u> | <u>125,759</u> | <u>114,631</u> |

Company

| | As of December 31, | | |
|---|--------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Borrowing from a third party (Note b) | 17,643 | 17,599 | 17,071 |
| Borrowing from Related Parties (Note 34(e)) | – | 21,999 | 21,339 |
| Others | – | 336 | 3,802 |
| | <u>17,643</u> | <u>39,934</u> | <u>42,212</u> |

- (a) The deposit payables represent the deposits received from the third-party distributors as a condition of engaging in the video platform service with the Group. These deposits has been used to offset portion of the distributors' payment for their purchase of virtual currency since 2013.
- (b) The borrowing from a third party of US\$2,800,000 is interest free and with no fixed repayment term. The Group has repaid the borrowing in January 2014.
- (c) The balances represent liabilities arising from business tax and other surcharges in the PRC.

29 BORROWINGS

| | As of December 31, | | |
|---------------------------|--------------------|----------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Non-current | | | |
| Bank borrowings. | – | – | 79,260 |
| Current | | | |
| Bank borrowings. | – | – | 30,485 |
| Total borrowings. | <u>–</u> | <u>–</u> | <u>109,745</u> |
| Unsecured. | – | – | – |
| Secured – | | | |
| Pledged (a). | – | – | 109,745 |
| | <u>–</u> | <u>–</u> | <u>109,745</u> |

- (a) As of December 31, 2013, bank borrowings of RMB109,745,000 were pledged with restricted bank deposits of RMB120,000,000 (Note 21), the weighted average interest rate on the bank borrowings in 2013 was 2.25% per annum.
- (b) The maturity of borrowings as of December 31, 2011, 2012 and 2013 was as follows:

| | As of December 31, | | |
|------------------------|--------------------|---------|---------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year. | – | – | 30,485 |
| 1 to 2 years. | – | – | 79,260 |
| | – | – | 109,745 |

The fair value of non-current borrowings approximated its carrying value as of December 31, 2013 as a result that their interest rates approximates to the market rate.

30 CONVERTIBLE REDEEMABLE PREFERRED SHARES AND REDEEMABLE ORDINARY SHARES

(i) Series A Preferred Shares

On December 18, 2008, in connection with the acquisition of 9158 Group, the Company issued 15,000,000 Series A Preferred Shares at a price of US\$0.10 per share for a total amount of US\$1,500,000 to Series A Preferred Shares Investors. The Series A Preferred Shares has a par value of US\$0.0001 each.

In January 2009, November 2009, December 2010, May 2012 and April 2013, the Company repurchased 500,000, 7,950,000 and 2,000,000, 1,000,000 and 3,550,000 Series A Preferred Shares at a price of US\$0.21, US\$0.45, US\$0.8225, US\$2.5 and US\$2 per share respectively. All the repurchased preferred shares were cancelled immediately upon repurchase.

The rights, preference and privileges of the Series A Preferred Shares are as follows:

(a) Dividends

The holders of Series A Preferred Shares are entitled to receive in preference to the holders of the ordinary shares a non-cumulative per share amount equal to 8% of the issue price per annum when it is declared by the Board of Directors.

After payment of all declared dividends on the Preference Shares has been paid or set aside for payment to the holders of Preference Shares in a calendar year, any additional dividends declared shall be distributed among all holders of Ordinary Shares and Preference Shares in proportion to the number of Ordinary Shares which would be held by each such holder if all Preference Shares were converted into Ordinary Shares at the then effective Conversion Price for the Preference Shares.

(b) Liquidation

In the event of (i) any liquidation, dissolution or winding up of the Company, (ii) any sale of all or substantially all of the Company's assets, or any sale or exclusive licensing of all or substantially all of the Company's intellectual property assets (collectively "Sale of Assets"); and (iii) any reorganization, consolidation, merger, sale or transfer of the Company's outstanding Shares or similar transaction or series of related transactions in which Members immediately prior to such reorganization, merger or consolidation, sale or transfer of Shares or similar transactions do not (by virtue of their ownership of securities of the Company immediately prior to such transactions) beneficially own shares possessing a majority of the voting power of the surviving company or companies immediately following such transactions (collectively "Acquisition Transaction"), the holders of Series A Preferred Shares will be entitled to receive in preference to the holders of ordinary shares of the Company, a liquidation preference per share equal to 100% of the issue price of the Series A Preferred Shares, plus all accrued but unpaid dividends on such Series A Preferred Shares.

(c) Redemption

Prior to the issuance of Series C Preferred Shares on July 15, 2010, Series A preferred shares are not redeemable.

Upon the issuance of Series C in July 2010 Series A Preferred Shares became redeemable in the event that Fu Zhengjun, Chief Executive Officer/Chairman of the Company/Board of Director, no longer holds the office of director or general manager in the Group prior to the 4th anniversary of the Series C Original Issue Date (July 15, 2010), commencing from the date Fu Zhengjun is no longer the director or general manager of any Group Company (the "Series A Redemption Start Date"), at the option and request of the holders of at least two thirds of the outstanding Series A on an as-converted basis, the Company shall redeem all or part of the outstanding Series A held by such requesting holders, at a redemption price of 100% Series original purchase price, plus interest calculated at 8% per year compounded annually calculated from the date on which the Series A Preference Share is issued (December 18, 2008) until the redemption date, and plus all declared but unpaid dividends on the Series A Preference Shares to be redeemed up to the date of redemption (the "Series A Redemption Price").

(d) Conversion

Each holder of Series A Preferred Shares shall be entitled to convert any or all of its preferred shares at any time, into such number of fully paid ordinary shares at corresponding preferred shares' original purchase price (original conversion price), which is subject to adjustment for diluting issuances.

Each preferred share shall be converted automatically into the number of fully paid ordinary share (i) immediately prior to a qualified Initial Public Offering or (ii) with the vote or written consent of the holders of at least a majority of the then-outstanding Series A, Series B and Series C Preferred Shares with respect to the conversion of Series A, Series B and Series C Preferred Shares, respectively, voting separately.

(e) Voting Rights

Each Series A Preferred Share conveys the right to its holder of one vote for each ordinary share upon conversion.

(ii) Series B Preferred Shares

On December 30, 2008, pursuant to a share purchase agreement, a warrant to the Series B Preferred Shares Investors subscribed for 10,000,000 Series B1 Preferred Shares. On January 6, 2009 and February 19, 2009, the Company issued 2,857,143 and 7,142,857 Series B1 preferred shares, respectively, for an aggregate purchase price of US\$2,100,000 or US\$0.21 per share. The Series B Preferred Shares has a par value of US\$0.0001 each.

In connection with the issuance of Series B1, the Company issued warrants to the Series B Preferred Shares Investors to purchase up to 10,000,000 Series B2 Preferred Shares at the price of US\$0.3 per share. On July 30, 2009, the Series B Preferred Shares Investors exercised to the warrants to purchase 10,000,000 Series B2 shares at an exercise price of US\$0.3 per share. The Series B2 Preferred Shares' par value is US\$0.0001 each.

The rights, preference and privileges of the Series B2 Preferred Shares are as follows:

(a) Dividends

The holders of Series B Preferred Shares will be entitled to receive in preference to the holders of Series A Preferred Shares and the holders of the ordinary shares a non-cumulative per share amount equal to 8% of the issue price per annum when it is declared by the Board of Directors.

After payment of all declared dividends on the Preference Shares has been paid or set aside for payment to the holders of Preference Shares in a calendar year, any additional dividends declared shall be distributed among all holders of Ordinary Shares and Preference Shares in proportion to the number of Ordinary Shares which would be held by each such holder if all Preference Shares were converted into Ordinary Shares at the then effective Conversion Price for the Preference Shares.

(b) Liquidation

In the event of (i) any liquidation, dissolution or winding up of the Company, (ii) any Sale of Assets; and (iii) any Acquisition Transaction, the holders of Series B Preferred Shares will be entitled to receive in preference to the holders of Series A Preferred Shares and to the holders of ordinary shares of the Company, a liquidation preference per share equal to 100% of the issue price of the Series B Preferred Shares, plus all accrued but unpaid dividends on such Series B Preferred Shares prior to the issuance of Series C preferred shares on July 15, 2010.

Upon the issuance of Series C in July 2010, the liquidation preference of Series B preferred share was amended to 100% Series B1/B2's original purchase price plus an annual rate of 8% of the Series B1/B2's original purchase price and all declared but unpaid dividends.

(c) Redemption

Prior to the issuance of Series C Preferred Shares on July 15, 2010, Series B1 and B2 are redeemable at any time commencing on the 4th anniversary of the Series B1 original issuance date and at the option and request of the holders of at least 2/3 of the outstanding Series B, the Company shall redeem part or all of the Series B preferred shares at a redemption price of their respective original purchase price plus 15% interests compounded annually calculated for their corresponding original issuance date until redemption date.

Upon the issuance of Series C Preferred Shares in July 2010, the redemption right of Series B Preferred Share was amended, in addition to Series B's original redemption right at any time commencing on the 4th anniversary of the Series B1 original issue date at a redemption price of their respective original purchase price plus 15% interests compounded annually and all declared and unpaid dividends, Series B Preferred Shares are also redeemable prior to the 4th anniversary of the Series B1 original issue date, any day on which Mr. Fu Zhengjun no longer holds the office a director of or a general manager of any Group Company at a redemption price of their respective original purchase price plus 8% interests compounded annually. The Series B Preferred Shareholders subsequently waived their redemption right for the period from the 4th anniversary of the Series B Preferred Shares issue date to December 31, 2014 (inclusive).

(d) Conversion

Each holder of Series B Preferred Shares shall be entitled to convert any or all of its preferred shares at any time, into such number of fully paid ordinary shares at corresponding preferred shares' original purchase price (original conversion price), which is subject to adjustment for diluting issuances.

Each preferred share shall be converted automatically into the number of fully paid ordinary share (i) immediately prior to a qualified Initial Public Offering or (ii) with the vote or written consent of the holders of at least a majority of the then-outstanding Series A, Series B and Series C Preferred Shares with respect to the conversion of Series A, Series B and Series C Preferred Shares, respectively, voting separately.

(e) Voting Rights

Each Series B Preferred Share conveys the right to its holder of one vote for each ordinary share upon conversion.

(iii) Series C Preferred Shares

In July 2010, the Series C Preferred Shares Investors subscribed for 10,000,000 Series C Ordinary Shares and 20,000,000 Series C Preferred Shares of the Company at a consideration of US\$10,000,000.

In January 2012, Series C Preferred Shares Investors converted all of the Series C Preferred Shares to ordinary shares of the Company on an one-for-one basis. And on the same day the Series C Preferred Shares Investors waived the redemption right of Series C Ordinary Shares. As a result, Series C Preferred Shares Investors currently holds 30,000,000 ordinary shares of the Company.

The rights, preference and privileges of the Series C Preferred Shares are as follows:

(a) Dividends

The holders of Series C Preferred Shares will be entitled to receive in preference to the holders of Series B Preferred Shares, the holders of Series A Preferred Shares and the holders of the ordinary shares a non-cumulative per share amount equal to 8% of the issue price per annum when it is declared by the Board of Directors.

After payment of all declared dividends on the Preference Shares has been paid or set aside for payment to the holders of Preference Shares in a calendar year, any additional dividends declared shall be distributed among all holders of Ordinary Shares and Preference Shares in proportion to the number of Ordinary Shares which would be held by each such holder if all Preference Shares were converted into Ordinary Shares at the then effective Conversion Price for the Preference Shares.

(b) Liquidation

In the event of (i) any liquidation, dissolution or winding up of the Company, (ii) any Sale of Assets; and (iii) any Acquisition Transaction, the holders of Series C Preferred Shares will be entitled to receive in preference to the holders of Series A Preferred Shares and to the holders of ordinary shares of the Company, a liquidation preference per share equal to 100% of the issue price of the Series C Preferred Shares, plus an annual rate of 8% of the Series C preferred shares' original purchase price, plus all accrued but unpaid dividends on such Series C Preferred Shares.

(c) Redemption

Series C preferred shares are redeemable (i) at any time commencing on the 4th anniversary of the Series C original issue date or (ii) prior to the 4th anniversary of the Series C original issue date, any day on which Fu Zhengjun no longer holds the office of director or general manager of any Group Company upon request from at least 2/3 of the holders of the outstanding Series C preference shares (calculated on as-converted basis) at a redemption price per Series C preference shares equal to 100% of the Series C preference shares plus interest calculated at plus 15% interests compounded annually and all declared and unpaid dividends if redeem after the 4th anniversary (i) or to 100% of the Series C preference shares plus interest calculated at plus 8% interests compounded annually and all declared and unpaid dividends if redeem prior to the 4th anniversary for (ii).

(d) Conversion

Each holder of Series C Preferred Shares shall be entitled to convert any or all of its preferred shares at any time, into such number of fully paid ordinary shares at corresponding preferred shares' original purchase price (original conversion price), which is subject to adjustment for diluting issuances.

Each preferred share shall be converted automatically into the number of fully paid ordinary share (i) immediately prior to a qualified Initial Public Offering or (ii) with the vote or written consent of the holders of at least a majority of the then-outstanding Series A, Series B and Series C Preferred Shares with respect to the conversion of Series A, Series B and Series C Preferred Shares, respectively, voting separately.

(e) Voting Rights

Each Series C Preferred Share conveys the right to its holder of one vote for each ordinary share upon conversion.

(iv) Series C Ordinary Shares

Series C ordinary shares has the same features as ordinary shares except for they are redeemable (i) at any time commencing on the 4th anniversary of the Series C original issue date or (ii) prior to the 4th anniversary of the Series C original issue date, any day on which Fu Zhengjun no longer holds the office of director or general manager of any Group Company upon request from at least 2/3 of the holders of the outstanding Series C ordinary shares at a redemption price per Series C ordinary shares equal to 100% of Series C ordinary shares plus interest calculated at plus 15% interests compounded annually and all declared and unpaid dividends if redeem after the 4th anniversary (i) or to 100% of the Series C ordinary shares plus interest calculated at plus 8% interests compounded annually and all declared and unpaid dividends if redeem prior to the 4th anniversary for (ii).

The Group monitors Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series C Ordinary Shares on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any feature from its debt host instrument and designates the entire hybrid contract as a financial liability at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of comprehensive loss.

In consideration of the investment by the Series B Preferred Shares Investors and the Series C Preferred Shares Investors, the Company began to repurchase the Series A Preferred Shares issued to the Series A Preferred Shares Investors from January 2009. In April 2013, through a series of repurchases and cancellations, the Company repurchased and cancelled all of the 15,000,000 Series A Preferred Shares then held by the Series A Preferred Shares Investors at a total consideration of US\$14,928 thousand.

The differences between the fair value of Series A Preferred Shares on the each repurchase date and the respective repurchase price were recognized as finance costs in the consolidated statements of comprehensive loss.

The movement of the convertible redeemable preferred shares and the redeemable ordinary shares is set out as below:

| | Convertible Redeemable Preferred Shares | | | | Redeemable Ordinary Shares | |
|--|---|----------------|----------------|----------------|----------------------------|----------------|
| | Series A | Series B | Series C | Total | Series C | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At January 1, 2011 | 18,006 | 87,261 | 80,393 | 185,660 | 33,425 | 219,085 |
| Changes in fair value | 20,965 | 74,982 | 80,543 | 176,490 | 40,111 | 216,601 |
| Exchange differences | (1,342) | (5,911) | (5,701) | (12,954) | (2,519) | (15,473) |
| At December 31, 2011 | <u>37,629</u> | <u>156,332</u> | <u>155,235</u> | <u>349,196</u> | <u>71,017</u> | <u>420,213</u> |
| Change in unrealized losses for the year included in profit or loss for liabilities held at the year end | <u>20,965</u> | <u>74,982</u> | <u>80,543</u> | <u>176,490</u> | <u>40,111</u> | <u>216,601</u> |
| At January 1, 2012 | 37,629 | 156,332 | 155,235 | 349,196 | 71,017 | 420,213 |
| Changes in fair value | 23,250 | 147,685 | 670 | 171,605 | 1,344 | 172,949 |
| Repurchase of Series A Preferred Shares | (8,609) | – | – | (8,609) | – | (8,609) |
| Conversion of Series C Preferred Shares to Ordinary Shares | – | – | (156,557) | (156,557) | (71,677) | (228,234) |
| Exchange differences | (151) | (974) | 652 | (473) | (684) | (1,157) |
| At December 31, 2012 | <u>52,119</u> | <u>303,043</u> | <u>–</u> | <u>355,162</u> | <u>–</u> | <u>355,162</u> |
| Change in unrealized losses for the year included in profit or loss for liabilities held at the year end | <u>23,250</u> | <u>147,685</u> | <u>670</u> | <u>171,605</u> | <u>1,344</u> | <u>172,949</u> |
| At January 1, 2013 | 52,119 | 303,043 | – | 355,162 | – | 355,162 |
| Changes in fair value | 24,907 | 258,391 | – | 283,298 | – | 283,298 |
| Repurchase of Series A Preferred Shares | (76,453) | – | – | (76,453) | – | (76,453) |
| Exchange differences | (573) | (12,963) | – | (13,536) | – | (13,536) |
| At December 31, 2013 | <u>–</u> | <u>548,471</u> | <u>–</u> | <u>548,471</u> | <u>–</u> | <u>548,471</u> |
| Change in unrealized losses for the period included in profit or loss for liabilities held at the period end | <u>24,907</u> | <u>258,391</u> | <u>–</u> | <u>283,298</u> | <u>–</u> | <u>283,298</u> |

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the Preferred Shares as of the date of issuance and at each of the reporting dates. Key assumptions are set as below:

| | December 31, 2011 | December 31, 2012 | December 31, 2013 |
|-----------------------------------|----------------------|----------------------|----------------------|
| Discount rate | 32% | 25% | 16% |
| Risk-free interest rate | 0.250% | 0.122% | 0.096% |
| Volatility | 46.9% | 44.6% | 38.2% |

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The directors estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective

appraisal dates to expected liquidation date. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series C Ordinary Shares on each appraisal date.

Changes in fair value of Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series C Ordinary Shares were recorded in "fair value loss of convertible redeemable shares". Management considered that fair value change in the Series Preferred Shares that are attributable to changes of credit risk of this liability being not significant.

31 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

| | As of December 31, | | |
|---|----------------------|----------------------|----------------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Deferred income tax assets: | | | |
| – to be recovered after more than 12 months . . . | 9,755 | 17,785 | 10,030 |
| – to be recovered within 12 months | 3,736 | 15,401 | 14,318 |
| | <u>13,491</u> | <u>33,186</u> | <u>24,348</u> |
| Deferred income tax liabilities: | | | |
| – to be recovered after more than 12 months . . . | 857 | 595 | 357 |
| – to be recovered within 12 months | 245 | 261 | 238 |
| | <u>1,102</u> | <u>856</u> | <u>595</u> |
| Deferred income tax assets – net | <u><u>12,389</u></u> | <u><u>32,330</u></u> | <u><u>23,753</u></u> |

The movements of deferred income tax assets-net are as follows:

| | Year Ended December 31, | | |
|--|-------------------------|----------------------|----------------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| At beginning of the year | 669 | 12,389 | 32,330 |
| Recognized in the consolidated statements of comprehensive loss | 11,720 | 19,941 | (8,577) |
| At end of the year | <u><u>12,389</u></u> | <u><u>32,330</u></u> | <u><u>23,753</u></u> |

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

| | Deferred Revenue | Advance from customers | Advertising expenses | Realizable customer deposits | Unrealized investment income | Total |
|---|---------------------|------------------------------|-------------------------|------------------------------------|------------------------------------|----------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At January 1, 2011 | 2,047 | 350 | – | – | – | 2,397 |
| Recognized in the consolidated statements of comprehensive loss | 1,003 | 581 | 2,082 | 7,673 | (245) | 11,094 |
| At December 31, 2011 | 3,050 | 931 | 2,082 | 7,673 | (245) | 13,491 |
| Recognized in the consolidated statements of comprehensive loss | 823 | 2,799 | 7,235 | 8,808 | 30 | 19,695 |
| At December 31, 2012 | 3,873 | 3,730 | 9,317 | 16,481 | (215) | 33,186 |
| Recognized in the consolidated statements of comprehensive loss | 1,095 | (2,692) | 713 | (8,012) | 58 | (8,838) |
| At December 31, 2013 | <u><u>4,968</u></u> | <u><u>1,038</u></u> | <u><u>10,030</u></u> | <u><u>8,469</u></u> | <u><u>(157)</u></u> | <u><u>24,348</u></u> |

The movements in deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

| | Assets Appreciation |
|--|--------------------------------|
| | RMB'000 |
| At January 1, 2011. | 1,728 |
| Recognized in the consolidated statements of comprehensive loss. | (626) |
| At December 31, 2011. | 1,102 |
| Recognized in the consolidated statements of comprehensive loss. | (246) |
| At December 31, 2012. | 856 |
| Recognized in the consolidated statements of comprehensive loss. | (261) |
| At December 31, 2013. | 595 |

As of December 31, 2013, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the undistributed profits of approximately RMB441,402 thousand. Such earnings are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

32 CASH GENERATED FROM OPERATIONS

| | Year Ended December 31, | | |
|---|--------------------------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Loss before income tax | (75,286) | (15,285) | (56,431) |
| Adjustments for: | | | |
| – Depreciation of property and equipment (Note 13) | 7,579 | 9,615 | 11,225 |
| – Amortization of intangible assets (Note 15) . . . | 1,467 | 1,651 | 1,623 |
| – Amortization of long-term prepaid expenses. . . | 225 | 2,266 | 2,539 |
| – Loss on disposal of property and equipment (a). . | 16 | 105 | 67 |
| – Fair value losses of convertible redeemable preferred shares (Note 30) | 216,601 | 172,949 | 283,298 |
| – Share-based compensation expenses (Note 24) . | 3,907 | 5,478 | 5,555 |
| – Investment Interest (Note 7) | (1,740) | (8,578) | (10,959) |
| – Interest income on cash and cash equivalents (Note 9) | (1,594) | (1,544) | (3,128) |
| – (Gains)/losses on repurchase of preferred shares. | – | 7,168 | (32,284) |
| – Finance costs – net | – | – | 36,699 |
| – Foreign exchange losses/(gains) on operating activities | 143 | (2) | (1,691) |
| Changes in working capital: | | | |
| – Trade receivables | (7,955) | (73) | (10,288) |
| – Prepayments and other receivables | (4,076) | (11,344) | (3,894) |
| – Trade payables. | (910) | 8,408 | (7,437) |
| – Other payables and accruals | 39,191 | 50,510 | (19,618) |
| – Other tax liabilities | 383 | (1,770) | 682 |
| – Deferred revenue | 4,129 | 3,330 | 2,391 |
| Cash generated from operations | 182,080 | 222,884 | 198,349 |

(a) In the consolidated statements of cash flows, proceeds from sale of property and equipment comprise:

| | Year End December 31, | | |
|---|-----------------------|-----------|-----------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Net book amount (Note 13) | 16 | 167 | 107 |
| Loss on disposal of property and equipment (Note 7). | (16) | (105) | (67) |
| Proceeds from disposal of property and equipment | – | 62 | 40 |

33 COMMITMENTS

(a) Capital Commitments

As of December 31, 2011, 2012 and 2013, the capital expenditure contracted but not provided for amounted to nil, RMB30,567,899 and nil, respectively, which was made for acquisition of property.

(b) Operating Lease Commitments

The Group leases buildings for daily operation under non-cancellable operating leases. The lease expenditure charged to the profit or loss during the Relevant Periods is disclosed in Note 6.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | As of December 31, | | |
|---|--------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| No later than 1 year. | 18,406 | 20,615 | 15,305 |
| Later than 1 year and no later than 5 years | 21,904 | 15,170 | 10,712 |
| | 40,310 | 35,785 | 26,017 |

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Names and Relationships with Related Parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the Relevant Periods.

| Company | Relationship | Period of Related Party Relationship |
|--|---|--------------------------------------|
| SINA Hong Kong Limited | Non-Controlling Shareholder | Since July 15, 2010 |
| Jinzhao Hengbang Technology (Beijing) Co., Ltd. | Subsidiary of Non-Controlling Shareholder | Since July 15, 2010 |
| Beijing Sina Internet Information Service Co., Ltd. | Subsidiary of Non-Controlling Shareholder | Since July 15, 2010 |
| Shanghai Sina Advertising Co., Ltd. | Subsidiary of Non-Controlling Shareholder | Since July 15, 2010 |
| Beijing Sina Advertising Co., Ltd. | Subsidiary of Non-Controlling Shareholder | Since July 15, 2010 |
| Weibo Internet Technology (China) Co., Ltd. | Subsidiary of Non-Controlling Shareholder | Since July 15, 2010 |
| Beijing Star-Village Online Cultural Development Co., Ltd. | Subsidiary of Non-Controlling Shareholder | Since July 15, 2010 |
| Sina.Com Technology (China) Co., Ltd. | Subsidiary of Non-Controlling Shareholder | Since July 15, 2010 |

(b) Significant Transactions with Related Parties

In the opinion of the executive directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

| | Year Ended December 31, | | |
|---|-------------------------|---------------|--------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Related party transactions | | | |
| (i) Advertisement revenue generated from related parties: | | | |
| Beijing Sina Internet Information Service Co., Ltd. | 459 | 2,274 | 4,990 |
| Shanghai Sina Advertising Co., Ltd. | 1,870 | 4,819 | 992 |
| Beijing Sina Advertising Co., Ltd. | 1,489 | 941 | – |
| SINA Hong Kong Limited | – | 749 | – |
| Others | 252 | 303 | 80 |
| | <u>4,070</u> | <u>9,086</u> | <u>6,062</u> |
| (ii) Other revenue generated from related parties: | | | |
| Weibo Internet Technology (China) Co., Ltd. . . | 110 | 436 | 69 |
| Others | 125 | 51 | 348 |
| | <u>235</u> | <u>487</u> | <u>417</u> |
| (iii) Advertising and marketing expense paid to related parties: | | | |
| Beijing Sina Internet Information Service Co., Ltd. | – | 16,360 | 2,000 |
| | <u>–</u> | <u>16,360</u> | <u>2,000</u> |
| (iv) Software and technical services expense paid to related parties: | | | |
| Jinzhao Hengbang Technology (Beijing) Co., Ltd. | 13,000 | – | – |
| | <u>13,000</u> | <u>–</u> | <u>–</u> |
| (v) Other expense paid to related parties: | | | |
| Beijing Sina Internet Information Service Co., Ltd. | – | – | 209 |
| | <u>–</u> | <u>–</u> | <u>209</u> |

(c) Year End Balances Arising from Sales and Purchase of Services

| | As of December 31, | | |
|---|--------------------|--------------|--------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| (i) Receivables from related parties | | | |
| Trade receivables | | | |
| Beijing Sina Internet Information Service Co., Ltd. | 473 | 1,869 | 4,696 |
| Shanghai Sina Advertising Co., Ltd. | 1,870 | 3,136 | 1,666 |
| Beijing Sina Advertising Co., Ltd. | 1,489 | 69 | 46 |
| SINA Hong Kong Limited | – | 769 | 14 |
| Others | 400 | 324 | 120 |
| | <u>4,232</u> | <u>6,167</u> | <u>6,542</u> |

Trade receivables were mainly resulted from advertisement revenue.

| | As of December 31, | | |
|---|--------------------|---------------|--------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| (ii) Payables to related parties | | | |
| Trade payables | | | |
| Jinzhuo Hengbang Technology (Beijing) Co., Ltd. | 8,000 | – | – |
| Beijing Sina Internet Information Service Co., Ltd. | – | 13,295 | 5,292 |
| | <u>8,000</u> | <u>13,295</u> | <u>5,292</u> |

Trade payables due to related parties arose from outsourcing information and technical service and software development expense.

(d) **Balances with related parties were all unsecured, interest-free and had no fixed repayment terms.**

(i) *Amounts Due from Mr. Fu Zhengjun*

| | As of December 31, | | |
|--------------------------|--------------------|--------------|--------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Mr. Fu Zhengjun. | – | 7,200 | 7,200 |
| | <u>–</u> | <u>7,200</u> | <u>7,200</u> |

The balances mainly arose from advances to Mr. Fu Zhengjun during the year 2012, which was not secured, interest free and had no fixed repayment terms. The amount was fully settled in March 2014.

(e) **Loan from and Deposit to related parties**

| | As of December 31, | | |
|---|--------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| (i) <i>Receivables from related parties</i> | | | |
| Prepayments and other receivables | | | |
| Sina.Com Technology (China) Co., Ltd. | – | 22,274 | 22,274 |
| | <u>–</u> | <u>22,274</u> | <u>22,274</u> |

Prepayment and other receivables were the pledged deposits placed to Sina.com Technology (China) Co., Ltd. as a collateral for the borrowing from SINA Hong Kong Limited (Note ii). The amount was fully collected in March 2014.

| | As of December 31, | | |
|---|--------------------|---------------|---------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| (ii) <i>Payables to related parties</i> | | | |
| Other payables and accruals | | | |
| SINA Hong Kong Limited. | – | 21,999 | 21,339 |
| | <u>–</u> | <u>21,999</u> | <u>21,339</u> |

Other payables and accruals represents borrowing from SINA Hong Kong Limited, which was interest free and was to be repaid in July 2013. In July 2013, the repayment term was extended to July 2014. The total amount was fully settled in March 2014.

(f) Key Management Personnel Compensations

The compensations paid or payable to key management personnel for employee services are shown below:

| | Year Ended December 31, | | |
|--|-------------------------|--------------|--------------|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Wages, salaries and bonuses. | 724 | 1,005 | 1,084 |
| Pension costs – defined contribution plans. | 73 | 95 | 96 |
| Other social security costs, housing benefits and other employee benefits. | 44 | 48 | 51 |
| Share-based compensation expenses under Preferred Shares Share Option Scheme. | 248 | 100 | 47 |
| | <u>1,089</u> | <u>1,248</u> | <u>1,278</u> |

35 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2011, 2012 and 2013.

36 EVENTS AFTER THE BALANCE SHEET DATE

- (i) Pursuant to the resolution passed by the shareholders of the Company on June 16, 2014, conditional on the Global Offering taking place and upon the share premium account of the Company being credited with an amount of not less than US\$82,152, 821,520,000 new ordinary shares will be allotted and issued to holders of the shares whose names appear on the register of members at the close of business on the business day preceding the Listing Date in the same proportion as their then Shareholders in the Company and an amount of US\$82,152 standing to the credit of the Share premium account of the Company will be applied to pay up in full at par for such shares.
- (ii) On March 31, 2014, the Series B Preferred Shares Investors executed a letter of undertaking to waive their redemption right for the period from December 31, 2014 to July 1, 2015.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to December 31, 2013 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies comprising the Group in respect of any period subsequent to December 31, 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Capitalization and the Global Offering as if it had taken place on December 31, 2013 and based on the audited consolidated net tangible assets attributable to equity holders of our Company as of December 31, 2013 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Capitalization and the Global Offering been completed as at December 31, 2013 or at any future date.

| | Audited Consolidated Net Tangible Liabilities of the Group Attributable to Owners of the Company as at December 31, 2013 | Estimated Net Proceeds from the Global Offering | Estimated Impact to the Net assets upon the Conversion of the Series B Preferred Shares | Unaudited Pro Forma Adjusted Net Tangible Assets Attributable to Owners of the Company | Unaudited Pro Forma Adjusted Net Tangible Assets per Ordinary Share | |
|---|--|---|--|---|---|----------------|
| | Note 1 RMB'000 | Note 2 RMB'000 | Note 3 RMB'000 | RMB'000 | Note 4 RMB | Note 4 HK\$ |
| Based on an Offer Price of HK\$4.50 per share . . | (94,420) | 1,004,472 | 548,471 | 1,458,523 | 1.20 | 1.51 |
| Based on an Offer Price of HK\$5.30 per share . . | (94,420) | 1,197,703 | 548,471 | 1,651,754 | 1.36 | 1.71 |

Notes:

1. The audited consolidated net tangible liabilities attributable to the owners of the Company as at December 31, 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as at December 31, 2013 of RMB88,556 thousand with an adjustment for the intangible assets as at December 31, 2013 of RMB5,864 thousand.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$4.50 and HK\$5.30 per Share after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB7,013 thousand which have been accounted for prior to December 31, 2013) payable by the Company.
3. Upon the completion of the Global Offering, 200,000,000 Series B Preferred Shares will be automatically converted to Ordinary Shares on a one-to-one basis under which the carrying amounts of the Series B Preferred Shares recorded as a liability of the Company will be transferred to the Company's equity.
4. The unaudited pro forma adjusted net tangible assets per Share is arrived after adjustments referred to in the preceding paragraphs and on the basis of 304,267,000 Shares are in issue assuming that the Capitalization Issue, the Global Offering and the conversion of the Serious B Preferred Shares have been completed on December 31, 2013, but takes no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be allotted, issued or repurchased by the Company pursuant to the general mandate.
5. No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2013.
6. For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.2596. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. LETTER FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF TIAN GE INTERACTIVE HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tian Ge Interactive Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at December 31, 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated June 25, 2014, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at December 31, 2013 as if the proposed initial public offering had taken place at December 31, 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended December 31, 2013, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, June 25, 2014

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 28, 2008 under the Cayman Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 16, 2014 with effect from the listing of the Company. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Cayman Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Cayman Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of

salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to Cayman Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Cayman Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) *Alterations to constitutional documents*

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) *Alteration of capital*

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Cayman Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear

business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised

without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person

entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Cayman Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Cayman Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Cayman Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from April 15, 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Cayman Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of Our Company**

Our Company was established under the Cayman Companies Law as an exempted company with limited liability on July 28, 2008. Our registered office is at Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands. Our Company is registered as a non-Hong Kong company in Hong Kong under Part XI of the then effective Companies Ordinance (Chapter 32 of the Laws of Hong Kong) on February 4, 2014, and our registered place of business in Hong Kong is at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong. Ms. Ng Sau Mei of KCS Hong Kong Limited has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process is in 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

As our Company is incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands and the Company's constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in the section headed "Appendix III – Summary of the Constitution of the Company and Cayman Companies Law" in this prospectus.

Our Company's head office is located as at the date of this prospectus at Room 3A09 Sunshine International Business Center, No. 186 South Hushu Road, Hangzhou, China.

2. Subsidiaries

Details about our subsidiaries are set out in Note 1(b) of section II of the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

3. Changes in the Share Capital of Our Company

On the date of our incorporation, our authorized share capital was US\$6,000, divided into 60,000,000 Shares of par value of US\$0.0001 each.

The following sets out the changes in our Company's issued share capital since the date of its incorporation up to the date of this prospectus:

- (a) On July 27, 2008, one Share of US\$0.0001 was allotted, issued and credited as fully paid to Joyluck Associates Limited;
- (b) On November 28, 2008, Joyluck Associates Limited transferred one Share to Mr. Fu Yanchang for a consideration of US\$0.0001. On the same date, 3,399,999 Shares were allotted, issued and credited as fully paid to Mr. Fu Yanchang for a consideration of US\$340 and 30,600,000 Shares of US\$0.0001 were allotted, issued and credited as fully paid to Mr. Fu for a consideration of US\$3,060;

- (c) According to the special resolution adopted by our Shareholders passed on December 18, 2008, our authorized share capital was changed to US\$7,500.00 divided into 60,000,000 Shares of a par value of US\$0.0001 each, and 15,000,000 Series A Preferred Shares;
- (d) On December 18, 2008, 15,000,000 Series A Preferred Shares of US\$0.0001 were allotted, issued and credited as fully paid to the Series A Pre-IPO Investors for a consideration of US\$1,500,000;
- (e) According to the special resolution adopted by our Shareholders passed on December 25, 2008, our authorized share capital was changed to US\$12,100 divided into (i) 86,000,000 Shares of a par value of US\$0.0001 each, (ii) 15,000,000 Series A Preferred Shares, and (iii) 10,000,000 Series B1 Preferred Shares;
- (f) On December 30, 2008, 2,857,143 Series B1 Preferred Shares were allotted, issued and credited as fully paid to the Series B Pre-IPO Investors for a consideration of US\$600,000; and such Shares were cancelled and re-issued to the Series B Pre-IPO Investors on January 6, 2009;
- (g) On January 13, 2009, 500,000 Series A Preferred Shares were repurchased by our Company for a consideration of US\$105,000;
- (h) On February 19, 2009, 7,142,857 Series B1 Preferred Shares were allotted, issued and credited as fully paid to the Series B Pre-IPO Investors for a consideration of US\$1,500,000;
- (i) On July 30, 2009, 10,000,000 Series B2 Preferred Shares were allotted, issued and credited as fully paid to the Series B Pre-IPO Investors for a consideration of US\$3,000,000;
- (j) On November 26, 2009, 2,616,680 Series A Preferred Shares were repurchased by our Company for a consideration of US\$1,177,506;
- (k) On January 8, 2010, 3,333,325 Series A Preferred Shares were repurchased by our Company for a consideration of US\$1,499,996.25;
- (l) On March 3, 2010, 1,999,995 Series A Preferred Shares were repurchased by our Company for a consideration of US\$899,997.75;
- (m) According to the special resolution adopted by our Shareholders passed on July 15, 2010, our authorized share capital was changed to US\$17,100 divided into (i) 116,000,000 Shares of par value of US\$0.0001 each, (ii) 15,000,000 Series A Preferred Shares, (iii) 10,000,000 Series B1 Preferred Shares, (iv) 10,000,000 Series B2 Preferred Shares and (v) 20,000,000 Series C Preferred Shares;

- (n) On July 15, 2010, 10,000,000 Shares were allotted, issued and credited as fully paid to Sina Hong Kong Limited for a consideration of US\$3,103,448; and on the same date, 20,000,000 Series C Preferred Shares were allotted, issued and credited as fully paid to Sina Hong Kong Limited for a consideration of US\$6,896,552;
- (o) On December 29, 2010, 2,000,000 Series A Preferred Shares were repurchased by our Company for a consideration of US\$1,645,000;
- (p) On January 4, 2012, 20,000,000 Series C Preferred Shares were converted to 20,000,000 Shares of our Company;
- (q) On May 24, 2012, 1,000,000 Series A Preferred Shares were repurchased by our Company for a consideration of US\$2,500,000;
- (r) According to the special resolution adopted by our Shareholders dated on April 26, 2013, our authorized share capital was changed to US\$17,100 divided into (i) 151,000,000 Shares of par value of US\$0.0001 each, (ii) 10,000,000 Series B1 Preferred Shares, and (iii) 10,000,000 Series B2 Preferred Shares;
- (s) On April 26, 2013, 3,550,000 Series A Preferred Shares were repurchased by our Company for a consideration of US\$7,100,000; and as such, all of Series A Preferred Shares were repurchased by our Company and the related share certificates were cancelled;
- (t) On May 22, 2014, we issued and allotted 7,280,000 Shares of par value of US\$0.0001 each to the Pre-IPO RSU Trustee, an Independent Third Party, to administer the vesting of the RSUs pursuant to the Pre-IPO RSU Scheme; and
- (u) Pursuant to the resolutions of our Company's shareholders on June 16, 2014, our shareholders approved the increase in the authorized share capital of our Company to an aggregate of US\$300,000 divided into 2,980,000,000 Shares, 10,000,000 Series B1 Preferred Shares and 10,000,000 Series B2 Preferred Shares by the creation of an additional 2,829,000,000 Shares with a nominal value of US\$0.0001 each, such additional Shares to rank *pari passu* in all respects with the existing Shares.

Immediately following the completion of the Capitalization Issue and the Global Offering but taking no account of any Shares to be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme and Shares to be issued pursuant to the Post-IPO RSU Scheme, and following the Reclassification (as defined below), the authorized share capital of our Company will be US\$300,000 divided into 3,000,000,000 Shares, of which 1,217,067,000 Shares will be issued fully paid or credited as fully paid, and 1,782,933,000 Shares will remain unissued. Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company since our establishment.

4. Changes in the Share Capital of Our Subsidiaries and PRC Operating Entities

The following alteration in the registered capital of our subsidiaries has taken place within the two years immediately preceding the date of this prospectus:

On October 29, 2013, the registered capital of Tianhu was increased from RMB30,000 to RMB10,000,000, which was injected by way of capital reserve in the sum of RMB9,970,000.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within two years preceding the date of this prospectus.

5. Written Resolutions Passed by Our Shareholders

Written resolutions were passed by our Shareholders on June 16, 2014, pursuant to which, among other matters:

- (1) Conditional upon all the conditions set out in the section headed “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus being fulfilled:
 - (a) the Listing, the Global Offering and the Over-allotment Option were approved and our Directors were authorized and directed to do all such things as they consider necessary in relation thereto, including to allot and issue, and to approve the transfer of, such number of Shares pursuant to the Global Offering on and subject to the terms and conditions stated in this prospectus and to such modifications, amendments, variations or otherwise as may be made by the Board (or any committee thereof established by the Board) in its absolute discretion, and the Board or any such committee of the Board or any Director were authorized and directed to effect such modifications, amendments, variations or otherwise as appropriate;
 - (b) a general mandate was generally and unconditionally granted to our Directors during the relevant period as set out in paragraph (f) below, to exercise all powers of the Company to allot, issue and deal with any Shares or securities convertible into Shares and to make an offer or agreement or grant an option (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require the exercise of such power;
 - (c) the approval in paragraph (b) above authorized our Directors during the relevant period to make or grant offers, agreements and options (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or may require the Shares to be allotted and issued during or after the end of the relevant period as set out in paragraph (f) below;

(d) the aggregate nominal value of the Shares allotted or issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by our Directors pursuant to the approval in paragraph (b) above, otherwise than pursuant to:

(i) a rights issue;

(ii) the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time;

(iii) the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and the issue of Shares which have been granted pursuant to the Pre-IPO RSU Scheme;

(iv) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend or Shares in accordance with the Articles of Association; or

(v) any specific authority granted by the Shareholders in general meetings,

shall not exceed 20% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and no options granted under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme are exercised and no shares to be issued pursuant to the Post-IPO RSU Scheme), and conditional on the ordinary resolutions in paragraphs (e) and (i) below being passed, the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the authorization granted to our Directors under the ordinary resolution in paragraph (e) below, and the approval granted pursuant to paragraphs (b) and (c) above shall be limited accordingly.

(e) a general mandate be and is hereby generally and unconditionally granted to our Directors during the relevant period as set out in paragraph (f) below, to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, subject to all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time, with an aggregate nominal value of the Shares repurchased by our Company not exceeding 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and no options granted under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme are

exercised and no shares to be issued pursuant to the Post-IPO RSU Scheme), provided that immediately following any such repurchase, our Company shall be able to pay its debts as they fall due in the ordinary course of business, and the authority granted shall be limited accordingly;

- (f) the general mandates as mentioned in paragraphs (b) to (e) above will remain in effect until whichever is the earliest of (i) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either conditionally or subject to condition; (ii) the expiration of the period within which our next annual general meeting is required to be held by any applicable law of Cayman Islands or the Articles of Association; or (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting;
 - (g) all the issued and unissued preferred shares in the share capital of the Company be redesignated and reclassified as Shares (the “**Reclassification**”) each having the rights and restrictions as set out in the Memorandum and Articles of Association such that following the Reclassification, the authorised share capital of our Company shall be US\$300,000 divided into 3,000,000,000 Shares of par value US\$0.0001 each, of which 1,217,067,000 Shares will be in issue;
 - (h) conditional on the ordinary resolutions from paragraphs (b) to (e) above being passed, the general mandate granted to our Directors in paragraphs (b) to (d) above was extended by the addition to the aggregate nominal amount of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares under the authority granted pursuant to such general mandate, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the shares in issue immediately following completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to any options which have been granted under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme and no shares to be issued pursuant to the Post-IPO RSU Scheme); and
 - (i) the Memorandum of Association and the Articles of Association were conditionally adopted, which will become effective upon the Listing Date, the terms of which are summarized in the section headed “Appendix III – Summary of the Constitution of the Company and Cayman Companies Law” in this prospectus;
- (2) conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares underlying the Post-IPO RSUs which may be granted under the Post-IPO RSU Scheme, a general mandate be and is

hereby generally and unconditionally granted to our Directors during the Applicable Period (as defined below), to exercise all the powers of our Company to allot, issue and deal with Shares that may underlie RSUs to be granted under the Post-IPO RSU Scheme with a nominal value not exceeding the Post-IPO RSU Mandate Limit (as defined below);

- (3) conditional upon the Listing, a general mandate be and is hereby generally and unconditionally granted to our Directors to exercise all the powers of the Company to allot, issue and deal with Shares that may be exercised under the Post-IPO Share Option Scheme with a nominal value not exceeding the Scheme Mandate Limited (as defined below);
- (4) the authorized share capital of our Company were increased from US\$17,100 divided into 151,000,000 Shares, 10,000,000 Series B1 Preferred Shares and 10,000,000 Series B2 Preferred Shares, to US\$300,000 divided into 2,980,000,000 Shares, 10,000,000 Series B1 Preferred Shares and 10,000,000 Series B2 Preferred Shares by the creation of an additional 2,829,000,000 Shares with a nominal value of US\$0.0001 each, such additional Shares to rank *pari passu* in all respects with the existing Shares;
- (5) our Directors were authorized to allot and issue, immediately prior to the Listing, a total of 821,520,000 Shares credited as fully paid at par value to the holders of the ordinary and preferred shares of our Company whose names appear on the register of members of our Company at the close of business on the business day preceding the Listing Date, in proportion to their then existing respective shareholdings by way of capitalization of the sum of approximately US\$82,152 standing to the credit of the share premium account of our Company, and the Shares allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares; and
- (6) the conditional adoption of the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme were approved.

6. Repurchase by Our Company of Our Own Securities

This section sets out information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their own securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

On June 16, 2014, our Directors were granted the Repurchase Mandate of not more than 10% of the aggregate nominal value of the issued share capital of our Company immediately following the Capitalization Issue and the Global Offering (excluding any Shares which may be allotted and issued upon the exercise of any Pre-IPO Share Options or Post-IPO Share Options or any Shares which may be issued pursuant to the Post-IPO RSU Scheme). This mandate will expire at the earliest of (i) the conclusion of our next annual shareholders' general meeting, (ii) the expiration of the period within which our next annual shareholders' general meeting is required by any applicable laws or the Articles of Association to be held, or (iii) such mandate being revoked or varied by an ordinary resolution of our shareholders in a general meeting (the "Relevant Period").

(ii) Source of funds

Our repurchase of the Shares listed on the Hong Kong Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Hong Kong Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Subject to the foregoing, we may make repurchases with funds of our Company legally permitted to be utilized in this connection, including profits of our Company, or the proceeds of a fresh issue of our shares made for such purpose or, if authorized by the Articles of Association and subject to the applicable laws of the Cayman Islands, out of capital. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of profits of our Company or out of sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the applicable laws of the Cayman Islands, out of capital.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Hong Kong Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Hong Kong Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

(v) Suspension of Repurchased Shares

A listed company may not make any repurchase of securities after inside information has come to knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Hong Kong Stock Exchange other than in exceptional circumstances. In addition, the Hong Kong Stock Exchange may prohibit a repurchase of securities on the Hong Kong Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a "connected person," (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchase

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the

grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

Exercise in full of the Repurchase Mandate, on the basis of 1,217,067,000 Shares in issue after completion of the Capitalization Issue and the Global Offering (excluding any Shares to be issued upon the exercise of Pre-IPO Share Options and Post-IPO Share Options and any Shares to be issued pursuant to the Post-IPO RSU Scheme and assuming no exercise of the Over-allotment Option), could accordingly result in up to 121,706,700 Shares being repurchased by us during the period prior to:

1. the conclusion of our next annual general meeting unless renewed by an ordinary resolution of the Shareholders in a general meeting; or
2. the expiration of the period within which our next annual general meeting is required by the Articles of Association, the Cayman Companies Law or any other applicable laws of Cayman Islands to be held; or
3. the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in a general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries. The Directors have undertaken with the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, the Cayman Companies Law or any other applicable laws of Cayman Islands.

No connected person has notified us that he or she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Hong Kong Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

7. Reorganization

For details of the Reorganization which was effected in preparation for the Listing, please refer to the section headed "History, Reorganization and Corporate Structure" in this prospectus.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of Material Contracts

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

- (a) the amendment to share issuance and subscription agreement dated February 17, 2014, entered into among the Company, Mr. Fu, Mr. Fu Yanchang (傅延長) and SINA Hong Kong Limited (the "Investor") revising certain rights and obligations of a subscription agreement dated July 1, 2010;
- (b) the amendment to members agreement dated February 17, 2014, entered into among the Company, Mr. Fu, Mr. Fu Yanchang (傅延長), Blueberry Worldwide Holdings Limited, Cloud Investment Holding Limited, IDG-ACCEL China Growth Fund II L.P., IDG-ACCEL China Investors II L.P. and SINA Hong Kong Limited (collectively, the "Investors") revising certain rights and obligations of a members agreement;
- (c) the equity transfer agreement dated February 20, 2014 entered into between Mr. Fu and Mr. Fu Yanchang (傅延長), pursuant to which Mr. Fu Yanchang (傅延長) transferred 28% of the equity interest in Xingxiu owned by him to Mr. Fu at a consideration of RMB2.8 million;

- (d) the equity transfer agreement dated February 20, 2014 entered into between Mr. Fu and Mr. Li Chao (李超) (“**Mr. Li**”), pursuant to which Mr. Li transferred 70% of the equity interest in Xingxiu owned by him to Mr. Fu at a consideration of RMB7.0 million;
- (e) the equity transfer agreement dated March 31, 2014 entered into between Mr. Fu and Mr. Fu Yanchang (傅延長), pursuant to which Mr. Fu Yanchang (傅延長) transferred 68% of the equity interest in Jinhua9158 owned by him to Mr. Fu at a consideration of RMB6.8 million;
- (f) the equity transfer agreement dated March 31, 2014 entered into between Mr. Fu and Mr. Li, pursuant to which Mr. Li transferred 30% of the equity interest in Jinhua9158 owned by him to Mr. Fu at a consideration of RMB3.0 million;
- (g) the equity transfer agreement dated March 31, 2014 entered into between Mr. Fu and Mr. Fu Yanchang (傅延長), pursuant to which Mr. Fu Yanchang (傅延長) transferred 28% of the equity interest in Jinhua99 owned by him to Mr. Fu at a consideration of RMB2.8 million;
- (h) the equity transfer agreement dated March 31, 2014 entered into between Mr. Fu and Mr. Li, pursuant to which Mr. Li transferred 70% of the equity interest in Jinhua99 owned by him to Mr. Fu at a consideration of RMB7.0 million;
- (i) the equity transfer agreement dated March 31, 2014 entered into between Mr. Fu and Mr. Fu Yanchang (傅延長), pursuant to which Mr. Fu Yanchang (傅延長) transferred 8% of the equity interest in Hantang owned by him to Mr. Fu at a consideration of RMB0.8 million;
- (j) the equity transfer agreement dated March 31, 2014 entered into between Mr. Fu and Mr. Li, pursuant to which Mr. Li transferred 90% of the equity interest in Hantang owned by him to Mr. Fu at a consideration of RMB9.0 million;
- (k) the indemnification letter dated May 19, 2014 signed by Mr. Fu and Mr. Fu Yanchang (傅延長) to indemnify the Group for any liability incurred from any infringement of any third-party intellectual property rights caused by the contents on the Group’s platform and software which took place prior to the Listing up to a period of three years after Listing;
- (l) the exclusive technology service agreement dated June 16, 2014 entered into between Xingxiu and Zhejiang Tiange, pursuant to which Xingxiu agreed to engage Zhejiang Tiange on an exclusive basis to provide technology services and in return, Zhejiang Tiange will charge for the services (the “**Xingxiu Technology Agreement**”);
- (m) the loan agreement dated February 20, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長) and Zhejiang Tiange, pursuant to which Zhejiang Tiange agreed to lend interest-free loans of RMB9.8 million to Mr. Fu and RMB0.2 million to Mr. Fu Yanchang (傅延長) to allow them to pay their capital contributions in Xingxiu (the “**Xingxiu Loan Agreement 1**”);

- (n) the supplemental loan agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長) and Zhejiang Tiange amending a clause in the Xingxiu Loan Agreement 1 (together with Xingxiu Loan Agreement 1, the “**Xingxiu Loan Agreements**”);
- (o) the exclusive call option agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Zhejiang Tiange and Xingxiu, pursuant to which Mr. Fu and Mr. Fu Yanchang (傅延長) granted to Zhejiang Tiange, or any entity or person designated by it, an irrevocable and unconditional option to purchase all or part of their equity interests in Xingxiu, and Xingxiu granted to Zhejiang Tiange an irrevocable and unconditional option to purchase all or part of its assets (the “**Xingxiu Option Agreement**”);
- (p) the shareholders’ voting rights proxy agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Zhejiang Tiange and Xingxiu, pursuant to which each of Mr. Fu and Mr. Fu Yanchang (傅延長) irrevocably appointed a director or such director’s successor of Zhejiang Tiange or its direct or indirect shareholder to exercise their shareholders’ rights under the articles of association of Xingxiu (the “**Xingxiu Proxy Agreement**”);
- (q) the equity pledge agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Zhejiang Tiange and Xingxiu, pursuant to which each of Mr. Fu and Mr. Fu Yanchang (傅延長) agreed to pledge all of their respective equity interests in Xingxiu to Zhejiang Tiange to secure their performance, as well as the performance of Xingxiu under the Xingxiu Technology Agreement, the Xingxiu Loan Agreements, the Xingxiu Option Agreement, the Xingxiu Proxy Agreement and this equity pledge agreement;
- (r) the exclusive technology service agreement dated June 16, 2014 entered into between Hantang and Hangzhou Tiange, pursuant to which Hantang agreed to engage Hangzhou Tiange on an exclusive basis to provide technology services and in return, Hangzhou Tiange will charge for the services (the “**Hantang Technology Agreement**”);
- (s) the loan agreement dated March 31, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長) and Hangzhou Tiange, pursuant to which Hangzhou Tiange agreed to lend interest-free loans of RMB8.82 million to Mr. Fu and RMB0.18 million to Mr. Fu Yanchang (傅延長) to allow them to pay their capital contributions in Hantang (the “**Hantang Loan Agreement 1**”);
- (t) the supplemental loan agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長) and Hangzhou Tiange amending a clause in the Hantang Loan Agreement 1 (together with Hantang Loan Agreement 1, the “**Hantang Loan Agreements**”);

- (u) the exclusive call option agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Hangzhou Tiange and Hantang, pursuant to which Mr. Fu and Mr. Fu Yanchang (傅延長) granted to Hangzhou Tiange, or any entity or person designated by it, an irrevocable and unconditional option to purchase all or part of their equity interests in Hantang, and Hantang granted to Hangzhou Tiange all or part of its assets (the “**Hantang Option Agreement**”);
- (v) the shareholders’ voting rights proxy agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Hangzhou Tiange and Hantang, pursuant to which each of Mr. Fu and Mr. Fu Yanchang (傅延長) irrevocably appointed a director or such director’s successor of Hangzhou Tiange or its direct or indirect shareholder to exercise their shareholders’ rights under the articles of association of Hantang (the “**Hantang Proxy Agreement**”);
- (w) the equity pledge agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Hangzhou Tiange and Hantang, pursuant to which each of Mr. Fu and Mr. Fu Yanchang (傅延長) agreed to pledge all of their respective equity interests in Hantang to Hangzhou Tiange to secure their performance, as well as the performance of Hantang under the Hantang Technology Agreement, the Hantang Loan Agreements, the Hantang Option Agreement, the Hantang Proxy Agreement and this equity pledge agreement;
- (x) the exclusive technology service agreement dated June 16, 2014 entered into between Jinhua9158 and Hangzhou Tiange, pursuant to which Jinhua9158 agreed to engage Hangzhou Tiange on an exclusive basis to provide technology services and in return, Hangzhou Tiange will charge for the services (the “**Jinhua9158 Technology Agreement**”);
- (y) the loan agreement dated March 31, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長) and Hangzhou Tiange, pursuant to which Hangzhou Tiange agreed to lend interest-free loans of RMB9.8 million to Mr. Fu and RMB0.2 million to Mr. Fu Yanchang (傅延長) to allow them to pay their capital contributions in Jinhua9158 (the “**Jinhua9158 Loan Agreement 1**”);
- (z) the supplemental loan agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長) and Hangzhou Tiange amending a clause in the Jinhua9158 Loan Agreement 1 (together with Jinhua9158 Loan Agreement 1, the “**Jinhua9158 Loan Agreements**”);
- (aa) the exclusive call option agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Hangzhou Tiange and Jinhua9158, pursuant to which Mr. Fu and Mr. Fu Yanchang (傅延長) granted to Hangzhou Tiange, or any entity or person designated by it, an irrevocable and unconditional option to purchase all or part of their equity interests in Jinhua9158, and Jinhua9158 granted to Hangzhou Tiange all or part of its assets (the “**Jinhua9158 Option Agreement**”);

- (bb) the shareholders' voting rights proxy agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Hangzhou Tiange and Jinhua9158, pursuant to which each of Mr. Fu and Mr. Fu Yanchang (傅延長) irrevocably appointed a director or such director's successor of Hangzhou Tiange or its direct or indirect shareholder to exercise their shareholders' rights under the articles of association of Jinhua9158 (the "**Jinhua9158 Proxy Agreement**");
- (cc) the equity pledge agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Hangzhou Tiange and Jinhua9158, pursuant to which each of Mr. Fu and Mr. Fu Yanchang (傅延長) agreed to pledge all of their respective equity interests in Jinhua9158 to Hangzhou Tiange to secure their performance, as well as the performance of Jinhua9158 under the Jinhua9158 Technology Agreement, Jinhua9158 Loan Agreements, Jinhua9158 Option Agreement, Jinhua9158 Proxy Agreement and this equity pledge agreement;
- (dd) the exclusive technology service agreement dated June 16, 2014 entered into between Jinhua99 and Hangzhou Tiange, pursuant to which Jinhua99 agreed to engage Hangzhou Tiange on an exclusive basis to provide technology services and in return, Hangzhou Tiange will charge for the services (the "**Jinhua99 Technology Agreement**");
- (ee) the loan agreement dated March 31, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長) and Hangzhou Tiange, pursuant to which Hangzhou Tiange agreed to lend interest-free loans of RMB9.8 million to Mr. Fu and RMB0.2 million to Mr. Fu Yanchang (傅延長) to allow them to pay their capital contributions in Jinhua99 (the "**Jinhua99 Loan Agreement 1**");
- (ff) the supplemental loan agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長) and Hangzhou Tiange amending a clause in the Jinhua99 Loan Agreement 1 (together with Jinhua99 Loan Agreement 1, the "**Jinhua99 Loan Agreements**");
- (gg) the exclusive call option agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Hangzhou Tiange and Jinhua99, pursuant to which Mr. Fu and Mr. Fu Yanchang (傅延長) granted to Hangzhou Tiange, or any entity or person designated by it, an irrevocable and unconditional option to purchase all or part of their equity interests in Jinhua99, and Jinhua99 granted to Hangzhou Tiange all or part of its assets (the "**Jinhua99 Option Agreement**");
- (hh) the shareholders' voting rights proxy agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Hangzhou Tiange and Jinhua99, pursuant to which each of Mr. Fu and Mr. Fu Yanchang (傅延長) irrevocably appointed a director or such director's successor of Hangzhou Tiange or its direct or indirect shareholders to exercise their shareholders' rights under the articles of association of Jinhua99 (the "**Jinhua99 Proxy Agreement**");

- (ii) the equity pledge agreement dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Hangzhou Tiange and Jinhua99, pursuant to which each of Mr. Fu and Mr. Fu Yanchang agreed to pledge all of their respective equity interests in Jinhua99 to Hangzhou Tiange to secure their performance, as well as the performance of Jinhua99 under the Jinhua99 Technology Agreement, Jinhua99 Loan Agreements, Jinhua99 Option Agreement, Jinhua99 Proxy Agreement and this equity pledge agreement;
- (jj) the deed of non-competition dated June 16, 2014 entered into among Mr. Fu, Mr. Fu Yanchang (傅延長), Three-Body Holdings Ltd, Star Wonder Holding Ltd, Blueberry Worldwide Holdings Limited, Cloud Investment Holding Limited (the “Covenantors”) and our Company regarding non-competition undertakings given by the Covenantors in favor of our Company;
- (kk) the trust deed dated June 16, 2014 entered into among the Company, The Core Trust Company Limited (匯聚信託有限公司) (the “Trustee”) and Happy88 Holdings Limited, pursuant to which Happy88 Holdings Limited agreed to hold the Shares to be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme as nominee and the Trustee agreed to act as the trustee in relation to the Pre-IPO Share Option Scheme;
- (ll) the trust deed dated June 16, 2014 entered into among the Company, the Trustee and Tangguo Limited, pursuant to which Tangguo Limited agreed to hold the underlying Shares for the RSUs granted under the Pre-IPO RSU Scheme as nominee and the Trustee agreed to act as the trustee in relation to the Pre-IPO RSU Scheme;
- (mm) the trust deed dated June 16, 2014 entered into among the Company, the Trustee and Xinshow Limited, pursuant to which Xinshow Limited agreed to hold the underlying Shares for the RSUs to be granted under the Post-IPO RSU Scheme as nominee and the Trustee agreed to act as the trustee in relation to the Post-IPO RSU Scheme;
- (nn) the cornerstone investment agreement dated June 20, 2014 entered into between Qihoo 360 Technology Co. Ltd., UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and our Company, pursuant to which Qihoo 360 Technology Co. Ltd. has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US\$5 million, rounded down to the nearest whole board lot of 1,000 Shares;
- (oo) the cornerstone investment agreement dated June 20, 2014 entered into between Atlantis Investment Management (Hong Kong) Ltd., UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and our Company, pursuant to which Atlantis Investment Management (Hong Kong) Ltd. has agreed to acquire (as agent for the Atlantis Clients (as defined therein)) at the Offer Price such number of Offer Shares that may be purchased with US\$10 million, rounded down to the nearest whole board lot of 1,000 Shares;

- (pp) the cornerstone investment agreement dated June 20, 2014 entered into between Brilliant Pegasus Investment Limited, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited and our Company, pursuant to which Brilliant Pegasus Investment Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with HK\$130 million, rounded down to the nearest whole board lot of 1,000 Shares;
- (qq) the cornerstone investment agreement dated June 20, 2014 entered into between Global Prosper Investments Limited, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited and our Company, pursuant to which Global Prosper Investments Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US\$10 million, rounded down to the nearest whole board lot of 1,000 Shares;
- (rr) the cornerstone investment agreement dated June 20, 2014 entered into between Town Health Corporate Advisory and Investments Limited, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited and our Company, pursuant to which Town Health Corporate Advisory and Investments Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with HK\$78 million, rounded down to the nearest whole board lot of 1,000 Shares;
- (ss) the cornerstone investment agreement dated June 20, 2014 entered into between Golden Worldwide Holdings Limited, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited and our Company, pursuant to which Golden Worldwide Holdings Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US\$10 million, rounded down to the nearest whole board lot of 1,000 Shares;
- (tt) the cornerstone investment agreement dated June 20, 2014 entered into between Mr. Hu Jian, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited and our Company, pursuant to which Mr. Hu Jian has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US\$5 million, rounded down to the nearest whole board lot of 1,000 Shares;
- (uu) the cornerstone investment agreement dated June 20, 2014 entered into between AmTRAN Technology Co., Ltd., UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and our Company, pursuant to which AmTRAN Technology Co., Ltd. has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US\$3 million, rounded down to the nearest whole board lot of 1,000 Shares;
- (vv) the cornerstone investment agreement dated June 20, 2014 entered into between Shinyway International Education Group Limited, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and our Company, pursuant to which Shinyway International Education Group Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US\$5 million, rounded down to the nearest whole board lot of 1,000 Shares;







(ww) the cornerstone investment agreement dated June 20, 2014 entered into between Mr. Li Ruijie, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, China Galaxy International Securities (Hong Kong) Co., Limited and our Company, pursuant to which Mr. Li Ruijie has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US\$5 million, rounded down to the nearest whole board lot of 1,000 Shares; and

(xx) Hong Kong Underwriting Agreement.






2. Our Material Intellectual Property Rights








(a) Trademarks

As of the Latest Practicable Date, our material trademarks are as follows:

| No. | Trademark | Proprietor | Place of Registration | Registration Number | Class | Expiry Date/Status of Application |
|-----|---|-----------------|-----------------------|---------------------|-------|-----------------------------------|
| 1. |  | Hangzhou Tiange | PRC | 7606904 | 35 | December 20, 2020 |
| 2. |  | Hangzhou Tiange | PRC | 7606905 | 42 | June 27, 2022 |
| 3. | 91555 | Hangzhou Tiange | PRC | 7606903 | 41 | June 27, 2022 |
| 4. | 天鸽 | Hangzhou Tiange | PRC | 10926415 | 38 | August 20, 2023 |
| 5. |  | Hangzhou Tiange | PRC | 11514394 | 16 | February 20, 2024 |
| 6. |  | Hangzhou Tiange | PRC | 11514610 | 28 | February 20, 2024 |
| 7. |  | Hangzhou Tiange | PRC | 11514759 | 41 | February 20, 2024 |
| 8. |  | Hangzhou Tiange | PRC | 11514297 | 42 | April 6, 2024 |



As at the Latest Practicable Date, we have applied for the registration of the following trademarks which are material in relation to our Group's business:

| No. | Trademark | Applicant | Place of Application | Application Number | Class | Application Date |
|-----|---|-----------------|----------------------|--------------------|-------|------------------|
| 1. | 天鸽 | Hangzhou Tiange | PRC | 13021875 | 9 | August 2, 2013 |
| 2. | 天鸽 | Hangzhou Tiange | PRC | 13021933 | 16 | August 2, 2013 |
| 3. | 天鸽 | Hangzhou Tiange | PRC | 13021987 | 28 | August 2, 2013 |
| 4. | 天鸽 | Hangzhou Tiange | PRC | 13022041 | 35 | August 2, 2013 |
| 5. | 天鸽 | Hangzhou Tiange | PRC | 13022093 | 41 | August 2, 2013 |
| 6. | 天鸽 | Hangzhou Tiange | PRC | 13022146 | 42 | August 2, 2013 |
| 7. |  | Hangzhou Tiange | PRC | 12269480 | 35 | March 15, 2013 |
| 8. |  | Hangzhou Tiange | PRC | 12269479 | 28 | March 15, 2013 |
| 9. |  | Hangzhou Tiange | PRC | 13403421 | 9 | October 22, 2013 |
| 10. |  | Hangzhou Tiange | PRC | 13403420 | 28 | October 22, 2013 |
| 11. |  | Hangzhou Tiange | PRC | 13403419 | 41 | October 22, 2013 |

| No. | Trademark | Applicant | Place of Application | Application Number | Class | Application Date |
|-----|--|-----------------|----------------------|--------------------|-----------------------------|------------------|
| 12. |  | Hangzhou Tiange | PRC | 13403418 | 42 | October 22, 2013 |
| 13. |  | Hangzhou Tiange | PRC | 12269460 | 41 | March 15, 2013 |
| 14. |  | Hangzhou Tiange | PRC | 12269459 | 38 | March 15, 2013 |
| 15. |  | Hangzhou Tiange | PRC | 12269458 | 9 | March 15, 2013 |
| 16. |  | The Company | Hong Kong | 302870686 | 9, 35, 38, 41, 42, 45 | January 17, 2014 |
| 17. |  | The Company | Hong Kong | 302871360 | 9, 35, 38, 41, 42, 45 | January 17, 2014 |
| 18. |  | The Company | Hong Kong | 302871379 | 9, 35, 38, 41, 42, 45 | January 17, 2014 |

As at the Latest Practicable Date, we have four registered trademarks, approximately 105 pending trademark applications in China and 14 pending trademark applications in Hong Kong.

According to a trademark licensing agreement on July 1, 2010 and a supplemental agreement on March 13, 2014, which extended the license term to July 1, 2020, entered into between Beijing SINA and Hantang, Beijing SINA authorized us to use certain registered trademarks, which are also material to our Group's business:

| No. | Trademark | Proprietor | Place of Registration | Registration Number | Class | Expiry Date/Status of Application |
|-----|---|---|-----------------------|---------------------|-------|-----------------------------------|
| 1. |  | Beijing Sina Internet Information Service Co., Ltd. | PRC | 1799619 | 35 | July 27, 2022 |
| 2. |  | Beijing Sina Internet Information Service Co., Ltd. | PRC | 1459585 | 35 | October 13, 2020 |

| No. | Trademark | Proprietor | Place of Registration | Registration Number | Class | Expiry Date/Status of Application |
|-----|-----------|---|-----------------------|---------------------|-------|-----------------------------------|
| 3. | 新浪网 | Beijing Sina Internet Information Service Co., Ltd. | PRC | 1463781 | 35 | October 20, 2020 |
| 4. | sina | Beijing Sina Internet Information Service Co., Ltd. | PRC | 1463676 | 35 | October 20, 2020 |

(b) *Domain Names*

As of the Latest Practicable Date, our material domain names are as follows:

| No. | Domain Name | Registered Proprietor | Country/Region of Registration | Date of Registration | Expiry Date |
|-----|--------------|-----------------------|--------------------------------|----------------------|-------------------|
| 1. | 91555.com | Jinhua99 | PRC | July 11, 2005 | July 11, 2015 |
| 2. | 9158.com | Jinhua9158 | PRC | December 19, 1999 | December 19, 2015 |
| 3. | sinashow.com | Hantang | PRC | June 6, 2010 | June 6, 2015 |
| 4. | cnmj.com.cn | Hantang | PRC | September 7, 2004 | September 7, 2015 |

As of the Latest Practicable Date, we had approximately 37 registered domain names.

According to a domain name licensing agreement on July 1, 2010 and a supplemental agreement on March 13, 2014 which extended the license term to July 1, 2020, entered into between Beijing SINA and Hantang, Beijing SINA authorized us to use the following domain name, which is also material to our Group's business:

| No. | Domain Name | Registered Proprietor | Country/Region of Registration | Date of Registration | Expiry Date |
|-----|------------------|---|--------------------------------|----------------------|------------------|
| 1. | show.sina.com.cn | Beijing Sina Internet Information Service Co., Ltd. | PRC | November 20, 1998 | December 4, 2019 |

(c) Patents

As of the Latest Practicable Date, we had one registered patent:

| No. | Patents | Proprietor | Place of Registration | Registration Number | Application Date | Expiry Date |
|------------|---|--------------------------------|------------------------------|----------------------------|-------------------------|--------------------|
| 1. | 基於多層特徵的不良圖像自動過濾方法 (translated as “method for automated filtering disqualified image based on multilayer characteristics”) | Jinhua9158 and Hangzhou Tiange | PRC | ZL2011 1 0048284.8 | March 1, 2011 | March 1, 2031 |

As of the Latest Practicable Date, we have applied for the registration of the following material patents independently or jointly with third parties:

| No. | Patents | Proprietor | Place of Registration | Registration Number | Application Date |
|------------|---|---|------------------------------|----------------------------|-------------------------|
| 1. | 基於支持向量機的不良語音辨識方法 (translated as “Poor speech recognition method based on support vector machine”) | Hangzhou Tiange, Jinhua9158 and Hangzhou Dianzi University (杭州電子科技大學) | PRC | 201210197377.1 | June 15, 2012 |
| 2. | 一種基於局部敏感哈希的相似人臉快速檢索方法 (translated as “Method for rapidly retrieving similar faces based on locality sensitive hashing”) | Hangzhou Tiange | PRC | 201310087561.5 | March 19, 2013 |

As of the Latest Practicable Date, we have applied for the registration of four patents independently or jointly with third parties, including the above two patents applications.

(d) Copyrights

As of the Latest Practicable Date, our material copyrights are as follows:

| No. | Copyright | Version | Registered Proprietor | Registration No. | Registration Date |
|------------|--|----------------|------------------------------|-------------------------|--------------------------|
| 1. | 天格多人視頻聊天系統軟件 (translated as “Tiange multi-users webcam video chat system software”) | V5.0.0.0 | Hangzhou Tiange | 2009SR036898 | September 4, 2009 |
| 2. | 天格智能高清圖像檢測管理軟件 (translated as “Tiange smart HD images detect management software”) | V1.0 | Hangzhou Tiange | 2010SR059305 | November 8, 2010 |
| 3. | 天格綠色視頻管理系統軟件 (translated as “Tiange green webcam management system software”) | V1.0 | Hangzhou Tiange | 2010SR059302 | November 8, 2010 |
| 4. | 天格不良聊天語言過濾軟件 (translated as “Tiange disqualified language filtering software”) | v1.0 | Hangzhou Tiange | 2011SR062972 | September 2, 2011 |
| 5. | 天格視頻遊戲平台後台管理監控軟件 (translated as “Tiange backstage management monitoring software of video game platform”) | v1.0 | Hangzhou Tiange | 2011SR065242 | September 10, 2011 |

| No. | Copyright | Version | Registered Proprietor | Registration No. | Registration Date |
|-----|---|---------|-----------------------|------------------|-------------------|
| 6. | 天格網絡平台低俗語音識別軟件 (translated as “Tiange website automatic speech recognition software of vulgar speech”) | V1.0 | Hangzhou Tiange | 2012SR021852 | March 21, 2012 |
| 7. | 天格虛擬視頻軟件 (translated as “Tiange virtual video software”) | V5.0 | Hangzhou Tiange | 2013SR121798 | November 8, 2013 |
| 8. | 漢唐多多遊戲大廳軟件 (translated as “Hantang Duoduo game software”) | V3.6 | Hantang | 2010SR045724 | September 2, 2010 |
| 9. | 就約我吧H.264視頻編解碼優化軟件 (translated as “9158 H.264 video codec optimization software”) | v2.0 | Jinhua9158 | 2011SR005565 | February 10, 2011 |
| 10. | 就約我吧web視頻平台軟件 (translated as “9158 web video platform software”) | V1.0 | Jinhua9158 | 2013SR112276 | October 23, 2013 |
| 11. | 就約我吧移動視頻社區軟件 (translated as “9158 mobile video community software”) | V1.0 | Jinhua9158 | 2013SR114727 | October 28, 2013 |

| No. | Copyright | Version | Registered Proprietor | Registration No. | Registration Date |
|-----|---|---------|-----------------------|------------------|-------------------|
| 12. | 天格文字廣告過濾軟件 (translated as “Tiange words and advertisements filtering software”) | V3.0 | Zhejiang Tiange | 2011SR092524 | December 9, 2011 |
| 13. | 新浪Show視頻社區系統 (translated as “SINAShow video community system”) | v2.0 | Star Power | 2011SR062198 | August 31, 2011 |
| 14. | 新浪Show綜合管理後台系統 (translated as “SINAShow integrated management backstage system”) | v2.0 | Star Power | 2011SR062194 | August 31, 2011 |

As of the Latest Practicable Date, we had approximately 219 copyrights registrations.

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group’s business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of the Directors and chief executives in our share capital and our associated corporations following the Capitalization Issue and the Global Offering*

The following table sets out the interests of the Directors of the Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without into taking account of any Shares which may be issued upon the exercise of the Pre-IPO Share Options and Post-IPO Share Options or any Shares which may be issued under the Post-IPO RSU Scheme) in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed:

| Name of Director/ Chief Executive | Capacity/Nature of interest | Relevant company | Number of Underlying Shares | Approximate percentage of shareholding immediately following the completion of the Capitalization Issue and the Global Offering |
|--------------------------------------|----------------------------------|------------------|-----------------------------|---|
| Mr. Fu ⁽¹⁾⁽²⁾ | Founder of a discretionary trust | The Company | 306,000,000 | 25.14% |
| Mr. Mai Shi'en ⁽³⁾ | Beneficial owner | The Company | 5,000,000 | 0.41% |

Notes:

- (1) UBS Trustees (BVI) Limited, the trustee of Mr. Fu's Trust, holds the entire issued share capital of Three-Body Holdings Ltd through its nominee, UBS Nominee Limited, Three-Body Holdings Ltd holds the entire issued share capital of Blueberry Worldwide Holdings Limited. Blueberry Worldwide Holdings Limited in turn holds 306,000,000 Shares in our Company. Mr. Fu's Trust

is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (BVI) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 30,600,000 Shares held by Blueberry Worldwide Holdings Limited. Following the Capitalization Issue, Blueberry Worldwide Holdings Limited will be interested in 306,000,000 Shares.

- (2) Mr. Fu is also interested in 1,000,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 1,000,000 Shares subject to vesting. Following the Capitalization Issue, Mr. Fu will be interested in 10,000,000 Shares. In addition, Ms. Hong Yan, Mr. Fu's spouse, is interested in 2,000,000 Pre-IPO RSUs granted to her on May 22, 2014 under the Pre-IPO RSU Scheme entitling her to receive 2,000,000 Shares subject to vesting. Following the Capitalization Issue, Ms. Hong Yan will be interested in 20,000,000 Shares. Accordingly, Mr. Fu is deemed to be interested in the 20,000,000 Shares which are interested by Ms. Hong Yan under the SFO.
- (3) Mr. Mai Shi'en is interested in 500,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 500,000 Shares subject to vesting. Following the completion of the Capitalization Issue, Mr. Mai will be interested in 5,000,000 Shares.

(b) Interests and/or short positions of the substantial shareholders in the Shares which are disclosable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Director or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(c) Interests in Other Members of our Group

So far as our Directors are aware, as at the date of this prospectus, the following persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

| Name of Subsidiary | Name of Shareholder | Registered Capital | Approximate percentage of interest |
|---------------------------|----------------------------|---------------------------|---|
| Hantang | Mr. Fu | RMB9,800,000 | 98% |
| Jinhua9158 | Mr. Fu | RMB9,800,000 | 98% |
| Jinhua99 | Mr. Fu | RMB9,800,000 | 98% |
| Xingxiu | Mr. Fu | RMB9,800,000 | 98% |

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and excluding any Shares to be issued upon the exercise of Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme and any Shares to be issued under the Post-IPO RSU Scheme), have interests

and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

2. Particulars of Directors' service agreements and letters of appointment

Each of our executive Directors has signed a service agreement with us on June 16, 2014 for an initial term of three years commencing from the Listing (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

Pursuant to the service agreements, the annual remuneration payable to our executive Directors by our Group (excluding any discretionary bonus) is as follows:

| <u>Director</u> | <u>Remuneration (per annum)</u> |
|---|-------------------------------------|
| Mr. Fu (Executive Director) | RMB650,000 |
| Mr. Mai Shi'en (麥世恩) (Executive Director) | RMB700,000 |

In addition, each of our executive Directors is fully reimbursed for all reasonable out-of-pocket expenses reasonably incurred in the course of his employment under the relevant service agreements.

Each of our non-executive Directors and independent non-executive Directors has signed a letter of appointment with us on June 16, 2014 for an initial term of three years commencing from the Listing (subject to termination in certain circumstances as stipulated in the relevant letters of appointment).

The annual remuneration payable to each of our non-executive Directors and independent non-executive Directors by our Group under the letter of appointment is as follows:

| <u>Director</u> | <u>Remuneration (per annum)</u> |
|---|-------------------------------------|
| Mr. Mao Chengyu (毛丞宇) (Non-executive Director) | Nil |
| Mr. Herman Cheng-Chun, Yu (余正鈞) (Non-executive Director) | Nil |
| Ms. Yu Bin (余濱) (Independent Non-executive Director) . . . | HK\$200,000 |
| Mr. Wu Chak Man (胡澤民) (Independent Non-executive Director) | HK\$200,000 |
| Mr. Chan Wing Yuen Hubert (陳永源) (Independent Non-executive Director) | HK\$200,000 |

In addition, our non-executive Director and independent non-executive Directors were fully reimbursed for all reasonable out-of-pocket expenses incurred in discharging his duties on production of appropriate proofs of payment.

Save as disclosed in this prospectus, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or terminable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

For the year ended December 31, 2011, 2012 and 2013, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors was approximately RMB1.7 million, RMB1.1 million, RMB0.9 million.

Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended December 31, 2011, 2012 and 2013.

It is estimated that remuneration and benefits in kind equivalent to approximately RMB2.0 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ended December 31, 2014 under arrangements in force at the date of this prospectus.

4. Agency fees or commission

Save in connection with the Underwriting Agreements, none of our Directors nor any of the experts listed in the sub-section headed “– Other Information – 6. Qualifications of Experts” as disclosed in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries within the two years preceding the date of this prospectus.

5. Related party transactions

Please refer to Note 34 of the Accountant’s Report in Appendix I to this prospectus for details of the related party transactions. Our Directors confirm that all Related Party Transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

6. Disclaimers

Save as disclosed herein:

- (a) none of the Directors or our chief executives has any interest or short position in the shares, underlying shares or debentures of us or any of our associated corporation (within the meaning of the SFO) which will have to be notified to us and the Hong

Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

- (b) none of the Directors or experts referred to in the sub-section headed “– Other Information – 6. Qualifications of experts” has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of the Directors or experts referred to in the section headed “– Other Information – 6. Qualifications of experts” is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Capitalization Issue and the Global Offering or upon the exercise of the Over-allotment Option, any Pre-IPO Share Options, Post-IPO Share Options and the Post-IPO RSU Scheme, none of the Directors knows of any person (not being a Director or chief executive of us) who will, immediately following completion of the Capitalization Issue and the Global Offering, have an interest or short position in the shares or underlying shares of us which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of the experts referred to under the section headed “– Other Information – 6. Qualifications of experts” has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our share capital have any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE INCENTIVE SCHEMES**1. Pre-IPO Share Option Scheme***(a) Summary of terms*

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme which was adopted by the Board's resolutions dated December 9, 2008 (the "**Adoption Date**") and amended and restated on October 21, 2011 and May 22, 2014, respectively. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares once we become a listed issuer.

(b) Purpose of the scheme

The purposes of this plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, directors and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by issuing them Shares or by permitting them to purchase Shares. The plan permits the grant of options as the Board or any of its committee (the "**Administrator**") may determine.

(c) Who may join

The Administrator may, at its sole discretion, grant an option to subscribe for such number of Shares as the Administrator shall determine to an employee, director or consultant of the Company pursuant to the terms of the plan.

(d) Maximum number of Shares

- (i) The maximum aggregate number of Shares that may be issued under the plan shall not exceed 13,000,000 Shares at any given time which was subsequently adjusted to 8,845,575 Shares (these share numbers are subject to adjustments pursuant to the Capitalization Issue). The Shares may be authorized but unissued or reacquired Shares. The number of Shares that are subject to options (the "**Awards**") outstanding under the plan at any time shall not exceed the aggregate number of Shares that then remain available for issuance under the plan.
- (ii) In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, share split, reverse share split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the

Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the plan, may in its sole discretion, adjust the number and class of Shares that may be delivered under the plan and/or the number, class, and price of Shares covered by each outstanding Award (the “**Share Capital Alteration Event**”).

(e) *Terms and conditions of options*

(i) *Grant of options*

Each grant of an option under the plan shall be evidenced by a written or electronic agreement between the Company and a participant, the form(s) of which shall be approved from time to time by the Administrator (the “**Award Agreement**”). Each option shall be subject to all applicable terms and conditions of the plan and may be subject to any other terms and conditions that are not inconsistent with the plan and that the Administrator deems appropriate for inclusion in an Award Agreement. The provisions of the various Award Agreements entered into under the plan need not be identical.

(ii) *Type of option and number of shares*

Each option shall be designated in the Award Agreement as either an incentive stock option or a non-statutory stock option. Each Award Agreement shall specify the number of Shares that are subject to the option and shall provide for the adjustment of such number pursuant to the Share Capital Alteration Event.

(iii) *Exercise Price*

Each Award Agreement shall specify the exercise price. The exercise price of an incentive stock option shall not be less than 100% of the fair market value on the date of grant. Subject to the preceding sentence, the exercise price of any option shall be determined by the Administrator in its sole discretion.

(iv) *Term of options*

The Award Agreement shall specify the term of the option; provided, however, that the term shall not exceed ten (10) years from the date of grant. Subject to the preceding sentence, the Administrator in its sole discretion shall determine when an Option is to expire.

(v) *Exercisability*

An option may be exercised only to the extent that it is both vested and exercisable. Each Award Agreement shall specify the vesting schedule and the date(s) when all or any installment of the option is to become exercisable. The exercisability provisions of any Award Agreement shall be determined by the Administrator in its sole discretion.

(vi) *Exercise procedure*

Any option granted thereunder shall be exercisable according to the terms thereof at such times and under such conditions as may be determined by the Administrator and as set forth in the Award Agreement; provided, however, that an Option shall not be exercised for a fraction of a Share.

An option shall be deemed exercised when the Company receives (A) written or electronic notice of exercise (in accordance with the Award Agreement) from the person entitled to exercise the option, (B) full payment for the Shares with respect to which the option is exercised, together with any applicable tax withholding, and (C) all representations, indemnifications, and documents requested by the Administrator, including, without limitation, any shareholders agreement. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement.

Shares issued upon exercise of an option shall be issued in the name of the participant or, if requested by the participant, in the name of the participant, his or her spouse or other persons or entities designated by the participant.

(vii) *Restriction on transfer of shares*

Shares issued upon exercise of an option shall be subject to such forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as set forth in the applicable Award Agreement and as the Administrator may determine.

(f) *Non-transferability of Awards*

Unless otherwise determined by the Administrator and so provided in the applicable Award Agreement (or be amended to provide), no Award shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution or (except in the case of an incentive stock option) pursuant to a domestic relations order, and shall not be subject to execution, attachment, or similar process, and each Award may be exercised, during the lifetime of the participant only by the participant.

(g) Date of grant

The date of grant of an Award shall, for all purposes, be the date on which the Administrator makes the determination to grant the Award, or such other later date as is determined by the Administrator; provided, however, that the date of grant of an incentive stock option shall be no earlier than the date on which the individual becomes an employee.

(h) Duration

Unless the plan may be amended, altered, suspended or terminated by the Administrator, it shall continue in effect for a term of ten (10) years.

(i) Alteration and termination of the plan

Any amendment, alteration, suspension or termination of the plan shall have retrospective, binding effect on all outstanding Awards or options outstanding as at the date of such amendment, alteration, suspension or termination, as applicable.

(j) Options granted under the plan

The options under the Pre-IPO Share Option Scheme were granted in nine batches on January 14, 2009, July 23, 2009, June 17, 2010, September 6, 2010, December 20, 2010, December 26, 2011, October 14, 2012, September 14, 2013 and May 22, 2014, respectively. Options representing a total of 15,648,000 Shares were granted to 490 option holders, of which the Pre-IPO Options representing 2,522,425 shares have lapsed. Our Company adopted the Pre-IPO RSU Scheme to partially replace the options granted under the Pre-IPO Share Option Scheme. Options representing a total of 4,280,000 Shares, which were granted to five persons including two executive Directors, one senior management, one connected person and one other employee of our Group, were replaced by Pre-IPO RSUs. As such, 32.6% of the options granted and outstanding under the Pre-IPO Share Option Scheme were replaced by Pre-IPO RSUs. As a result, as at the date of this prospectus, options to subscribe for an aggregate of 8,845,575 Shares which, following the Capitalization Issue, is expected to be adjusted to 88,455,750 Shares and representing approximately 7.3% of the enlarged issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme or any Shares which may be issued under the Post-IPO RSU Scheme) are outstanding.

As at the date of this prospectus, none of the options granted under the Pre-IPO Share Option Scheme has been exercised. No further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

As at the date of this prospectus, there are altogether 468 option holders, including two non-executive Directors, three independent non-executive Directors of our Company, four members of senior management, 435 other employees and consultants of our Group and 24 employees who left their employment of our Group. Details of the options granted under the Pre-IPO Share Option Scheme and details of the vesting period, exercise period and the exercise price are set out in the paragraph headed “3. Details of the options granted under the Pre-IPO Share Option Scheme and the Pre-IPO RSUs granted under the Pre-IPO RSUs Scheme” below.

We have applied for, and have been granted an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance, and a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules in connection with the information of the options granted under the Pre-IPO Share Option Scheme. For further details, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance – Waiver and Exemption in relation to the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme” in this prospectus.

The options granted under the Pre-IPO Share Option Scheme represent approximately 7.3% of the enlarged issued share capital of our Company immediately after completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme or any Shares which may be issued upon the exercise of the Post-IPO RSU Scheme). If all the options are exercised, there would be a dilution effect on the shareholdings of our Shareholders of approximately 6.8%. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per Share may be staggered over several years.

2. Pre-IPO RSU Scheme

(a) *Summary of Terms*

The Company approved and adopted the Pre-IPO RSU Scheme on May 22, 2014 (the “**Adoption Date**”). The Pre-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(b) *Purposes of the Pre-IPO RSU Scheme*

The purposes of the Pre-IPO RSU Scheme are:

- (i) to recognize the contributions by grantees and to give incentives thereto in order to retain them for the continual operation and development of the Group; and
- (ii) to attract suitable personnel for further development of the Group.

(c) *Awards*

An award of RSUs under the Pre-IPO RSU Scheme (“**Award**”) gives a selected person (as set out in paragraph (e) below) in the Pre-IPO RSU Scheme a conditional right when the granted RSUs vest to obtain Shares as determined by the Board in its absolute discretion.

(d) *Pre-IPO RSU Limit*

Unless otherwise duly approved by the shareholders of the Company, the total number of Shares underlying RSUs under the Pre-IPO RSU Scheme shall not exceed 7,280,000 Shares (these share numbers are subject to the adjustment pursuant to the Capitalization Issue) (“**Pre-IPO RSU Limit**”).

(e) *Selected Persons of the Pre-IPO RSU Scheme*

The Board may select the following persons to be granted with RSUs under the Pre-IPO RSU Scheme pursuant to the Pre-IPO RSU Scheme:

- (i) existing employees, Directors or officers of the Group; and
- (ii) any other person selected by the Board or the RSU and option committee at its sole discretion from time to time.

(f) *Duration of the Pre-IPO RSU Scheme*

Subject to the fulfillment of the conditions of the Pre-IPO RSU Scheme and the termination clause in paragraph (u), this Pre-IPO RSU Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date (the “**Pre-IPO RSU Scheme Period**”), after which period no further RSUs shall be granted or accepted, but the provisions of this Scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the Pre-IPO RSU Scheme Period.

(g) *Administration of the Pre-IPO RSU Scheme*

This Pre-IPO RSU Scheme shall be subject to the administration of the Board in accordance with the rules of such Scheme. The Board has the power to construe and interpret the rules of such Scheme and the terms of the Awards granted thereunder. Any decision of the Board made in accordance with the rules of such Scheme shall be final and binding, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

(h) Appointment of Pre-IPO RSU Trustee

The Board has appointed Tangguo Limited as the Pre-IPO RSU Trustee to administer the granting and vesting of RSUs granted to the grantees pursuant to the Pre-IPO RSU Scheme.

(i) Grant of RSUs

After the Board or the RSU and option committee has selected the grantees, it will inform the Pre-IPO RSU Trustee of the name(s) of the person(s) selected, the number of Shares underlying the RSUs to be granted to each of them, the vesting schedule and other terms and conditions (if any) that the RSUs are subject to as determined by the Board or the RSU and option committee.

Subject to limitations and conditions of the Pre-IPO RSU Scheme, the Board or the RSU and option committee shall grant and deliver to each of the selected persons an offer of grant of Award(s) by way of a letter, which shall attach an acceptance notice, subject to the conditions that the Board or the RSU and option committee thinks fit.

(j) Acceptance of Awards

If the selected person intends to accept the offer of grant of RSUs as specified in the grant letter, he or she is required to sign the acceptance notice and return it to the Company or the RSU and option committee within the time period and in a manner prescribed in the grant letter. Upon the receipt from the selected person of a duly executed acceptance notice, the RSUs are granted to such person, who becomes a grantee pursuant to the Pre-IPO RSU Scheme.

To the extent that the offer of grant of RSUs is not accepted by any selected person within the time period or in a manner prescribed in the grant letter, it shall be deemed that such offer has been irrevocably declined and thus the RSUs has immediately lapsed.

(k) Restrictions on grants

The Board or the RSU and option committee shall not grant any RSUs to any selected person in any of the following circumstances:

- (i) the requisite approvals for such grant from any applicable regulatory authorities have not been obtained;
- (ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of RSUs or in respect of this Pre-IPO RSU Scheme, unless the Board determines otherwise;
- (iii) the grant would result in a breach by the Group or any of its Directors or senior management of any applicable laws, regulations or rules; or

- (iv) the grant would result in breach of the Pre-IPO RSU Limit or other rules of this Pre-IPO RSU Scheme.

(l) Rights attached to Awards

A grantee does not have any contingent interest in any Shares underlying Awards unless and until these Shares are actually transferred to the grantee from the Pre-IPO RSU Trustee. Furthermore, a grantee may not exercise any voting right in respect of the Shares underlying RSUs and, unless otherwise specified by the Board in its sole discretion in the grant letter to the grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the Awards.

(m) Rights attached to Shares

Any Shares transferred to a grantee in respect of any RSUs shall be subject to the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the grantee to participate in all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of the Company closed, the first day of the reopening of the register of members.

(n) Awards to be personal to grantees

Awards granted pursuant to this Pre-IPO RSU Scheme shall be personal to each grantee and shall not be assignable or transferrable, except assignment or transfer from each grantee to a company wholly-owned by him or between two companies both of which are wholly-owned by him. Notwithstanding the above, the grantees are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the Pre-IPO RSU Trustee on trust for the grantees, Awards, Shares underlying any Awards or any interest or benefits therein.

(o) Vesting

The Board or the RSU and option committee has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of Award(s) to any grantee, which may also be adjusted and re-determined by the Board or the RSU and option committee from time to time. The Pre-IPO RSU Trustee shall administer the vesting of Awards granted to each grantee pursuant to the vesting period and vesting criteria (if any) determined by the Board or the RSU and option committee.

Upon fulfillment or waive of the vesting period and vesting criteria (if any) applicable to each of the grantees, a vesting notice will be sent to the grantee by the Board or the RSU and option committee, or by the Pre-IPO RSU Trustee under the authorization and instruction by the Board or the RSU and option committee confirming (a) the extent to which the vesting period and vesting criteria have been fulfilled or waived, and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares). The grantee is required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the Board or the RSU and option committee considers necessary (which may include, without limitation, a certification to the Group that he or she has complied with all the terms and conditions set out in this Pre-IPO RSU Scheme and the grant letter).

Subject to the execution of documents by the grantee set out above, the Board or the RSU and option committee may decide at its sole discretion to direct and procure the Pre-IPO RSU Trustee to transfer the Shares underlying the RSUs (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) to the grantee or his or her wholly-owned entity.

In the event that the grantee fails to execute the required documents within fifteen (15) days after receiving the vesting notice, the vested RSU will lapse.

(p) Acceleration of vesting

The Board or the RSU and option committee has the sole discretion to determine, at any time, to accelerate the vesting of any Award granted to any grantee for various considerations as set out below.

(i) Rights on a takeover

In the event a general offer by way of takeover, merger or otherwise in a like manner (other than by way of scheme of arrangement set out as below) is made to all the shareholders of the Company (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects prior to the vesting, the Award(s) of the grantee will vest immediately to the extent specified in a notice given by the Company.

(ii) Rights on a scheme of arrangement

In the event a general offer for Shares by way of scheme of arrangement is made by any person to all the shareholders of the Company and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting, the Awards of the grantee will vest immediately to the extent specified in a notice given by the Company.

(iii) Rights on a compromise or arrangement

If a compromise or arrangement between the Company and its shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and a notice is given by the Company to its shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement prior to the vesting, the RSUs of the grantee will vest immediately to the extent specified in a notice given by the Company.

(iv) Rights on a voluntary winding-up

In the event that an effective resolution is passed during the Pre-IPO RSU Scheme Period for voluntarily winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement as set out above), prior to the vesting, the RSUs of the grantee will vest immediately to the extent specified in a notice given by the Company provided that all unexercised RSUs must be exercised and effected by no later than one Business Day before the day of the proposed general meeting to be convened for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company (or to pass written resolutions of the shareholders to the same effect).

(q) Lapse of Awards

Subject to the rules under this Pre-IPO RSU Scheme, an Award will automatically lapse immediately upon the occurrence of the following:

- (i) termination of employment or service of any grantee for any reason prior to the vesting date of the granted Awards;
- (ii) the grantee knowingly performs any act that may confer any competitive benefit or advantage upon any competitor of the Group, or becomes an officer, director, employee, consultant, adviser, partner of, or a stockholder or other proprietor owning more than a 5% interest in any competitor of the Group;
- (iii) the grantee makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any Ordinary Shares underlying the granted Awards or any interests or benefits in relation to the Awards; and
- (iv) commencement of winding-up of the Company.

If any event set out above occurs (other than sub-paragraph (iv)), the RSU shall lapse on a proportional basis, i.e. based on the proportion of the time period commencing from the grant date of the RSU through the occurrence of such event of the entire vesting period set out in the grant letter to the grantee provided that other vesting criteria (if any) have been fulfilled or waived as of the date of occurrence of such event.

(r) Cancellation of RSUs

The Board may at its sole discretion cancel any RSU that has not vested or lapsed, provided that:

- (i) the Company or its appointees pay to the grantee an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with an independent financial adviser appointed by the Board;
- (ii) the Company or its appointees provides to the grantee a replacement RSU of equivalent value to the RSU to be cancelled; or
- (iii) the Board makes any arrangement as the grantee may agree in order to compensate him for the cancellation of the RSU.

(s) Reorganization of Capital Structure

In the event of any alteration in the capital structure of the Company, such as Capitalization Issue, rights issue, consolidation, sub-division and reduction of the share capital of the Company, the Board may make equitable adjustments that it considers appropriate, at its sole discretion, including:

- (i) make arrangements for the grant of substitute RSUs of equivalent fair value to an Award in the purchasing or surviving company;
- (ii) reach such accommodation with the grantee as it considers appropriate, including the payment of cash compensation to the grantee equivalent to the fair value to any RSU to the extent not vested;
- (iii) waive any conditions to vesting of any RSU to the extent not already vested; or
- (iv) permit the continuation of an Award in accordance with its original terms.

(t) Alteration or Amendment of the Pre-IPO RSU Scheme

The terms of the Pre-IPO RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any grantee thereunder. Any alternation, amendment or waiver to the Pre-IPO RSU Scheme of a material nature shall be approved by the shareholders of the Company. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

(u) Termination of the Pre-IPO RSU Scheme

This Scheme may be terminated at any time prior to the expiry of the Pre-IPO RSU Scheme Period by the Board provided that such termination shall not affect any subsisting rights of any grantee thereunder. For the avoidance of doubt, no further Awards shall be granted after the Pre-IPO RSU Scheme is terminated but in all other respects the provisions of the Pre-IPO RSU Scheme shall remain in full force and effect. No further RSUs shall be granted after such termination; however, all Awards granted prior to such termination and not vested on the date of termination shall remain valid. In such event, the Board or the RSU and option committee shall notify the Pre-IPO RSU Trustee and all grantees of such termination and how the Shares held by the Pre-IPO RSU Trustee on trust and other interests or benefits in relation to the outstanding RSUs shall be dealt with.

(v) General

An application has been made to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, new Shares underlying any Awards which may be granted pursuant to the Pre-IPO RSU Scheme.

(w) Outstanding RSUs granted

Pre-IPO RSUs were granted to replace 4,280,000 Pre-IPO Share Options granted to five persons including two executive Directors, one senior management member, one connected person and another employee of our Group under the Pre-IPO Share Option Scheme to provide a diversification of long-term incentives to our skilled and experienced personnel to recognize their past contributions to the growth of our Group and to incentivize them to remain with our Group and to motivate them to strive for the future development and expansion of our Group.

As of the Latest Practicable Date, Pre-IPO RSUs in respect of an aggregate of 7,280,000 Shares (including the 4,280,000 Shares pursuant to the partial replacement of the Pre-IPO Share Option Scheme) which, following the Capitalization Issue, is expected to be adjusted to 72,800,000 Shares and representing approximately 6.0% of the enlarged issue share capital of the Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme or any Shares which may be issued under the Post-IPO RSU Scheme) are outstanding.

The grant and vesting of the Pre-IPO RSUs granted pursuant to the Pre-IPO RSU Scheme are in compliance with Rule 10.08 of the Listing Rules. Details of the Pre-IPO RSUs granted under the Pre-IPO RSU Scheme as of the Latest Practicable Date and details of the vesting period are set out in the paragraph headed “3. Details of the options granted under the Pre-IPO Share Option Scheme and the Pre-IPO RSUs granted under the Pre-IPO RSU Scheme” below.

We have applied for, and have been granted an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. For further details, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver and exemption in relation to the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme” in this prospectus.

Since we incurred net loss per Share for the year ended December 31, 2013, the issuance of Shares pursuant to the exercise of options under the Pre-IPO Share Option Scheme and the vesting of Shares under the Pre-IPO RSU Scheme will not have a dilution effect for the year ended December 31, 2013.

3. Details of the options granted under the Pre-IPO Share Option Scheme and the Pre-IPO RSUs granted under the Pre-IPO RSU Scheme

The following table shows the full details of the options and/or the Pre-IPO RSUs granted by the Company under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme to, on an individual basis, the Directors, senior management members and other connected person of the Group.

| Name of options holder/grantees of RSU | Position held within our Group | Address | Nature | Number of Shares represented by options or RSUs ⁽¹⁾ | Date of Grant | Exercise Price | Approximately percentage of shareholding immediately following the completion of the Capitalization Issue and the Global Offering |
|--|--|---|---------|--|---------------|----------------|---|
| | | | | | | (US\$) | (%) |
| Director of our Company | | | | | | | |
| Mr. Fu | Chairman, executive Director and chief executive officer | Room 902, No. 34 No.888-6 Lane Luojin Road Minhang District Shanghai (上海市閔行區羅錦路888號弄6支弄34號902室) | RSUs | 10,000,000 | May 22, 2014 | Nil | 0.822% |
| Mr. Mai Shi'en (麥世恩). | Executive director and chief financial officer | No. 54, Lane 306 Madang Road Huangpu District Shanghai (上海市黃浦區馬當路306弄54號) | RSUs | 5,000,000 | May 22, 2014 | Nil | 0.411% |
| Mr. Mao Chengyu (毛丞宇). | Non-executive Director | No. 40, No. 262 Lane Chengdu North Road Huangpu District Shanghai (上海市黃浦區成都北路262弄40號) | Options | 200,000 | May 22, 2014 | 0.35 | 0.016% |

| Name of options holder/grantees of RSU | Position held within our Group | Address | Nature | Number of Shares represented by options or RSUs ⁽¹⁾ | Date of Grant | Exercise Price (US\$) | Approximately percentage of shareholding immediately following the completion of the Capitalization Issue and the Global Offering (%) |
|---|--|---|---------|--|-------------------|--------------------------|--|
| Mr. Herman Cheng-Chun, Yu (余正鈞) | Non-executive Director | Room 101 Unit No.5 Building No.1 Jingfeng Yuan No.1 Xindian Road Chaoyang District Beijing (北京市朝陽區辛店路1號靜風園1號樓5單元101室) | Options | 200,000 | May 22, 2014 | 0.35 | 0.016% |
| Ms. Yu Bin (余濱) | Independent Non-executive Director | Room 402, No. 27, No.1880 Lane Long Yang Road Pudong New District Shanghai (上海市浦東新區龍陽路1880弄27號402室) | Options | 200,000 | May 22, 2014 | 0.35 | 0.016% |
| Mr. Wu Chak Man (胡澤民) | Independent Non-executive Director | Room 2802 No. 1027 Changning Road Changning District Shanghai (上海市長寧區長寧路1027號2802室) | Options | 200,000 | May 22, 2014 | 0.35 | 0.016% |
| Mr. Chan Wing Yuen, Hubert (陳永源) | Independent Non-executive Director | Flat 2, 18/F Block B Parkway Court 4 Park Road Hong Kong | Options | 200,000 | May 22, 2014 | 0.35 | 0.016% |
| Senior management members of our Group | | | | | | | |
| Mr. Cheng Po-Jen (鄭博仁) | Senior vice president of corporate development for our Group | 14-1/F No. 102-3 North Chongqing Road No.2 Quqingli Datong District Taipei (台北市大同區國慶里2鄰,重慶北路三段102號十四樓之1) | Options | 7,000,000 | January 14, 2009 | 0.01 | 0.575% |
| Mr. Keung Paul Hinson (姜顯森) | Chief financial officer of our Company | Room 403, No.1 Lane 680 Shuicheng Road, Shanghai 上海市水城路680弄1號403室 | RSUs | 5,000,000 | May 22, 2014 | Nil | 0.411% |
| Mr. Zhou Yuqing (周渝清) | Technology vice president of our Group | Room 145 No. 199 Wensan Road Xihu District Hangzhou (杭州市西湖區文三路199號145室) | RSUs | 11,000,000 | May 22, 2014 | Nil | 0.904% |
| Mr. Yan Xiang (閔祥) | Deputy general manager and executive director of Star Power | No.601-2, 17/F, Puhuangyusili Feng Tai District Beijing (北京市豐台區蒲黃榆四里17樓2門601號) | Options | 2,000,000 | December 20, 2010 | 0.06 | 0.172% |
| Mr. Zhao Weiwen (趙偉文) | General manager of Zhejiang Tiange | 10-3-501 No.599 Binghong Road San Jiang Street Wucheng District Jinhua Zhejiang (浙江省金華市婺城區三江街道賓虹路599號10-3-501) | Options | 2,000,000 | June 17, 2010 | 0.06 | 0.173% |
| | | | | 100,000 | May 22, 2014 | 0.35 | |

| Name of options holder/grantees of RSU | Position held within our Group | Address | Nature | Number of Shares represented by options or RSUs ⁽¹⁾ | Date of Grant | Exercise Price (US\$) | Approximately percentage of shareholding immediately following the completion of the Capitalization Issue and the Global Offering (%) |
|---|-----------------------------------|--|------------------|--|--------------------|--------------------------|--|
| Mr. Chen Shi (陳適) | Joint company secretary | No. 1 Renmin Road Nanyuan Xincun Tangxi Town Yuhang District Hangzhou (杭州市余杭區塘棲鎮 南苑新村人民路1號) | Options | 300,000 | September 14, 2013 | 0.2 | 0.041% |
| | | | RSUs | 200,000 | May 22, 2014 | Nil | |
| Other connected person of our Group | | | | | | | |
| Ms. Hong Yan (洪燕) | Vice president of Hangzhou Tiange | No. 89-1 No.2 Jianhua Community Pengbu Town Jiangan District Hangzhou (杭州市江干區 彭埠鎮建華社區 二區89號之1) | RSUs | 20,000,000 | May 22, 2014 | Nil | 1.643% |
| Seven Directors, six senior management members and one connected person . . . | | | Options | 12,486,000 | | | 5.233% |
| | | | RSUs | 51,200,000 | | | |
| | | | Sub-total | 63,686,000 | | | |

Note:

- (1) These figures reflect the post adjusted amount of Shares as a result of the completion of the Capitalization Issue.

The following is a summary table showing further details of the options and/or the Pre-IPO RSUs granted by the Company under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme to individuals who are neither a Director, senior management member nor a connected person of the Group. Out of these individuals, one grantee who is a consultant of our Group (the “**Single Largest Option Holder**”), is entitled to more than 1% of the enlarged issued share capital of our Company upon full exercise of his options immediately after the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme or Shares which may be issued upon the exercise of the Post-IPO RSU Scheme).

| Rank/position held with our Group | Nature | Number of Shares represented by options or RSUs ⁽¹⁾ | Date of Grant | Exercise Price (US\$) | Approximately percentage of shareholding immediately following the completion of the Capitalization Issue and the Global Offering (%) |
|--|---------------|--|--------------------|--------------------------|--|
| Our consultant, Mr. Peng Shaobin (彭少彬) ⁽²⁾⁽³⁾ | Options | 20,000,000 | September 6, 2010 | 0.035 | 1.643% |
| 412 other employees, 22 other consultants and 24 ex-employees ⁽³⁾ | Options | 7,200,000 | January 14, 2009 | 0.01 | |
| | | 4,700,000 | July 23, 2009 | 0.021 | |
| | | 6,913,540 | | 0.03 | |
| | | 1,042,380 | June 17, 2010 | 0.06 | |
| | | 1,300,000 | September 6, 2010 | 0.06 | |
| | | 10,000,000 | | 0.035 | |
| | | 1,526,050 | December 20, 2010 | 0.06 | |
| | | 200,000 | | 0.03 | |
| | | 2,000,000 | December 26, 2011 | 0.06 | |
| | | 1,301,000 | | 0.10 | |
| | | 2,541,130 | | 0.12 | |
| | | 4,521,650 | October 14, 2012 | 0.15 | |
| | | 2,060,000 | September 14, 2013 | 0.2 | |
| | | 10,664,000 | May 22, 2014 | 0.35 | |
| Options total ⁽⁴⁾ : | 75,969,750 | – | – | 6.242% | |
| RSUs | 21,600,000 | May 22, 2014 | Nil | 1.775% | |
| Sub-total: | 97,569,750 | | | 8.017% | |
| Total interest of all option holders under the Pre-IPO Share Option Scheme and the RSU grantees under the Pre-IPO RSU Scheme | Total: | 161,255,750 | | | 13.25% |

Notes:

- (1) These figures reflect the post adjusted amount of Shares as a result of the completion of the Capitalization Issue.
- (2) Mr. Peng, a consultant of our Group whose address is Room 102, Block 9, Fulian Garden, Hong Lixi Road, Futian District, Shenzhen (深圳市福田區紅荔西路福蓮花園9-102), is the Single Largest Option Holder.
- (3) Consultants are third party agents who provided our Group with business consultancy services on financial management, research and development, human resources and sales. Pursuant to the Pre-IPO Share Option Scheme, a total of 33,998,040 options have been granted to 23 consultants.
- (4) The two largest option holders under the Pre-IPO Share Option Scheme, Mr. Peng Shaobin and Mr. Liu Yunli, are our Group’s consultants and have been granted 20,000,000 options (reflecting the post adjusted amount of options as a result of the completion of the Capitalisation Issue) and 10,000,000 options (reflecting the post adjusted amount of options as a result of the completion of the Capitalisation Issue), respectively.

The following is a summary table showing the number of options granted under the Pre-IPO Share Option Scheme that have been vested as of the dates indicated below. See the section headed “– D. Share Option Schemes – 1. Pre-IPO Share Option Scheme – (j) Options granted under the plan” for further details of the total amount of options that have been granted, adjusted or lapsed, and the total amount of outstanding options as at the date of this prospectus.

| | As of December 31, | | | | |
|---|--------------------|-----------|-----------|-----------|-----------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| Number of options vested ⁽¹⁾ | 2,650,000 | 3,944,789 | 7,169,566 | 8,227,253 | 9,924,225 |

Note:

(1) These figures reflect the post adjusted amount of Shares as a result of the completion of the Capitalization Issue.

(a) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme

The holders of the options granted under the Pre-IPO Share Option Scheme as referred to in the table above are not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

For the options granted on January 14, 2009, the exercise price per Share is US\$0.01, representing a discount of approximately 98.54% to the high end and a discount of approximately 98.28% to the low end of the Offer Price, respectively.

For the options granted on July 23, 2009, the exercise price per Share is US\$0.021 and US\$0.03, representing a discount of approximately 96.93% to the high end and a discount of approximately 96.38% to the low end of the Offer Price, and representing a discount of approximately 95.61% to the high end and a discount of approximately 94.83% to the low end of the Offer Price, respectively.

For the options granted on June 17, 2010, the exercise price per Share is US\$0.06, representing a discount of approximately 91.22% to the high end and a discount of approximately 89.66% to the low end of the Offer Price, respectively.

For the options granted on September 6, 2010, the exercise price per Share is US\$0.06 and US\$0.035, representing a discount of approximately 91.22% to the high end and a discount of approximately 89.66% to the low end of the Offer Price, and representing a discount of approximately 94.88% to the high end and a discount of approximately 93.97% to the low end of the Offer Price, respectively.

For the options granted on December 20, 2010, the exercise price per Share is US\$0.06 and US\$0.03, representing a discount of approximately 91.22% to the high end and a discount of approximately 89.66% to the low end of the Offer Price, and representing a discount of approximately 95.61% to the high end and a discount of approximately 94.83% to the low end of the Offer Price, respectively.

For the options granted on December 26, 2011, the exercise price per Share is US\$0.06, US\$0.10 and US\$0.12, representing a discount of approximately 91.22% to the high end and a discount of approximately 89.66% to the low end of the Offer Price, representing a discount of approximately 85.37% to the high end and a discount of approximately 82.77% to the low end of the Offer Price, and representing a discount of approximately 82.45% to the high end and a discount of approximately 79.33% to the low end of the Offer Price, respectively.

For the options granted on October 14, 2012, the exercise price per Share is US\$0.15, representing a discount of approximately 78.06% to the high end and a discount of approximately 74.16% to the low end of the Offer Price, respectively.

For the options granted on September 14, 2013, the exercise price per Share is US\$0.20, representing a discount of approximately 70.75% to the high end and a discount of approximately 65.55% to the low end of the Offer Price.

For the options granted on May 22, 2014, the exercise price per Share is US\$0.35, representing a discount of approximately 48.81% to the high end and a discount of approximately 39.71% to the low end of the Offer Price, respectively.

Subject to the satisfactory performance of the option holders, and although the Company determines the vesting period of each option holders on a case-by-case basis, the general vesting period for the option holders are as follows: 25% of the Shares subject to the Pre-IPO Share Option shall vest on the first anniversary of the granting date, and 1/48 of the Shares subject to the Pre-IPO Share Option shall vest each month thereafter over the next three years on the same day of the month as the granting date (such day to be deemed to be the last day of the month, when necessary), subject to the option holders continuing to be a service provider through these dates.

Each option granted under the Pre-IPO Share Option Scheme has a ten-year exercise period provided that none of the options (whether they are vested or not) shall be exercisable prior to the Listing.

(b) Consideration paid for the grant of Pre-IPO RSUs and the vesting period of the RSUs granted under the Pre-IPO RSU Scheme

The grantees of the Pre-IPO RSUs granted under the Pre-IPO RSU Scheme as referred to in the table above are not required to pay for the grant of any Pre-IPO RSU under the Pre-IPO RSU Scheme.

The 4,280,000 Pre-IPO RSUs that were granted to replace the Pre-IPO Share Option Scheme have the same vesting period as the Pre-IPO Share Options. See the preceding sub-paragraph (a) “Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme” above.

For the Pre-IPO RSUs granted to the remaining Pre-IPO RSU grantees, 25% shall vest on the first anniversary of the date of the grant letter, and 1/48 shall vest each month thereafter over the next three years on the same day of the month as the date of the grant letter (such day to be deemed to be the last day of the month, when necessary).

4. Post-IPO RSU Scheme

We conditionally approved and adopted the Post-IPO RSU Scheme on June 16, 2014, which will become effective subject to (i) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the new Shares underlying the Awards which may be granted pursuant to this Scheme and (ii) the commencement of trading of the Shares on the Main Board of the Hong Kong Stock Exchange.

Other than the key differences summarized below, the scheme rules of the Post-IPO RSU Scheme are substantially similar to the Pre-IPO RSU Scheme:

(a) Post-IPO RSU Mandate Limit

The maximum aggregate number of Shares underlying all grants of RSUs pursuant to the Post-IPO RSU Scheme will not exceed 24,341,340 Shares, representing approximately 2% of the number of Shares in issue on the Listing Date (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were or will be granted under the Pre-IPO Share Option Scheme or any Shares which be issued upon the exercise of the Post-IPO Share Option Scheme) (“**Post-IPO RSU Mandate Limit**”).

This Post-IPO RSU Mandate Limit may be refreshed subject to prior approval from our Shareholders (such as at annual general meeting). The total number of Shares that may underlie RSUs granted under the Post-IPO RSU Scheme following the date of approval of the refreshed limit (“**New Approval Date**”) must not exceed 2% of the number of Shares in issue as of the New Approval Date.

Our Company at its annual general meeting propose for the shareholders to consider and pass an ordinary resolution approving an annual mandate specifying: (i) the maximum number of new Shares that may underlie the Post-IPO Awards granted pursuant to the Post-IPO RSU Scheme during the Applicable Period (as defined below); and (ii) the Board has the power to allot and issue Shares, procure the transfer of Shares and otherwise deal with Shares pursuant to the vesting of any RSUs that are granted pursuant to the Post-IPO RSU Scheme during the Applicable Period when such granted RSUs vest.

The above mandate shall remain in effect during the period (“**Applicable Period**”) from the passing of the ordinary resolution granting the mandate until the earliest of: (1) the conclusion of the next annual general meeting; (2) the end of the period within which the Company is required by any applicable laws or by the Articles of the Company to hold the next annual general meeting; or (3) the date on which such mandate is varied or revoked by an ordinary resolution of the shareholders in a general meeting.

(b) Restrictions on grants

The Board or the RSU and option committee shall not grant any RSUs to any selected person in any of the following circumstances:

- (1) after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced by the Company in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:
 - (i) the date of the meeting of the Board (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules).
- (2) if any RSU is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of the Company are published and during the period of:
 - (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.
- (3) Grants to Connected Persons

Any grant of an Award to any Director, chief executive or substantial shareholder of the Company, any of their respective associates, or any other connected person, shall be subject to the prior approval of the Independent Non-Executive Directors (excluding the Independent Non-Executive Director who is the proposed grantee of such RSUs) and shall otherwise be subject to compliance with the requirements of the Listing Rules.

Notwithstanding the above, any grant of RSUs to a Director as part of such Director's remuneration under his/her service contract with the Company shall be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(6) of the Listing Rules.

5. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted by our Shareholders on June 16, 2014 and its implementation is conditional on the Listing.

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(b) Who may participate

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of our Group or associated companies of our Company (“**Eligible Persons**”).

(c) Maximum number of Shares in respect of which options may be granted

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes (including but not limited to the Pre-IPO Share Option Scheme, the “**Other Schemes**”) of our Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme and any Other Scheme of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of the Shareholders in general meeting refresh, the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any Other Schemes of our Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Post-IPO Share Option Scheme and any Other Schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as “refreshed”. The Board may, with the approval of the Shareholders in general meeting, grant options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any Other Schemes of our Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

(d) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the Post-IPO Share Option Scheme and any Other Schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his associates abstaining from voting. Our Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

(e) Grant of options to connected persons

Each grant of options to a Director (including an Independent Non-executive Director) of any member of our Group or associated company of our Company, chief executive or substantial shareholder of our Company, or any of their respective associates, under the Post-IPO Share Option Scheme must be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an Independent Non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Post-IPO Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. Any Shareholder who is a connected person of our Company must abstain from voting on the resolution to approve such further grant of options, except that such a connected person may vote against such resolution subject to the requirements of the Listing Rules. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(f) Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-IPO Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

(g) Exercise price

Subject to any adjustment made as described in sub-paragraph (u) below, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

(h) Duration of Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Post-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

(i) Time of vesting and exercise of options

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfilment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option (the “**Option Period**”).

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

(j) Restriction on the time of grant of options

A grant of options may not be made after inside information has come to our knowledge until such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(k) Ranking of the Shares

No dividends (including distributions made upon the liquidation of our Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(l) Restrictions on transfer

Except for the transmission of an option on the death of an option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option-holder to any other person or entity. If an option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(m) Rights on voluntary resignation

If an option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion and notified to such Eligible Person, and all options (to the extent vested but not already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

(n) Rights on termination of employment

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

(o) Rights on death, disability, retirement and transfer

If an option-holder ceases to be an Eligible Person by reason of:

- (i) his death; or

- (ii) his serious illness or injury which in the opinion of the Board renders the option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted; or
- (iii) his retirement in accordance with the terms of an option-holder's contract of employment; or
- (iv) his early retirement by agreement with the option-holder's employer; or
- (v) his employer terminating his contract of employment by reason of redundancy; or
- (vi) his employer ceasing to be a member of our Group or an associated company of our Company or under the control of our Company; or
- (vii) a transfer of the business, or the part of the business, in which the option-holder works to a person who is neither under the control of our Company nor a member of our Group or associated companies of our Company; or
- (viii) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the Post-IPO Share Option Scheme to treat an option-holder whose options would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the Post-IPO Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with (viii) above:

- (a) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to our Company until after he has ceased employment with any member of our Group or associated companies; or
- (b) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of our Group or associated companies; or

- (c) has disclosed trade secrets or confidential information of any member of our Group or associated companies; or
- (d) has entered into competition with any member of our Group or associated companies or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the option-holder has been notified of the determination).

(p) Rights on cessation to be a director

In the event that any director ceases to be a director of any member of our Group or associated companies, our Company shall, as soon as practicable thereafter, give notice to the relevant option-holder who as a result ceases to be an Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the option-holder ceases to be an Eligible Person. The option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse.

(q) Rights on a general offer

In as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror and any person associated with or acting in concert with the offeror (a “**Change of Control**”), the Board will notify every option-holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each option-holder will be entitled to exercise his options (to the extent vested but not already exercised) during the period of one month starting on the date of the Board’s notification to the option-holders. All options, vested or unvested, not exercised before the end of such period will lapse.

(r) Rights on company reconstructions

In the event of a compromise or arrangement, our Company shall give notice to all option-holders on the same date as it gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement and each option-holder (or his personal representative) may at any time thereafter, but before such time as shall be notified by our Company, exercise all or any of his options (to the extent vested but not already exercised), and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(s) Rights on winding up

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after we dispatch such notice to the Shareholders give notice thereof to all option-holders and each option-holder shall be entitled to exercise all or any of his options (to the extent vested but not already exercised) at any time no later than seven days prior to the proposed general meeting of our Company, and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(t) Lapse of option

An option will lapse on the earlier of:

- (i) the expiry of the option period as determined by the Board;
- (ii) the date on which an option-holder is in breach of sub-paragraph (l); or
- (iii) the expiry of the time provided for in the applicable rule where any of the circumstances provided in sub-paragraphs (m) to (s) above apply.

(u) Effect of alteration to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, further rights issues of Shares, consolidation or subdivision of shares, or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of our Company or an independent financial advisor appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable. Notice of any adjustments shall be given by our Company to an option-holder.

Any such adjustments shall be made on the basis that an option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of our Company or the independent financial advisor selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes), except where such adjustment is made on a Capitalization Issue.

The capacity of the auditors or independent financial advisors is that of experts and not of arbitrators and their certification shall be final and binding on our Company and the option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisors shall be borne by our Company.

(v) *Cancellation of option*

Unless the option-holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either:

- (i) our Company pays to the option-holder an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial advisor appointed by the Board; or
- (ii) the Board offers to grant to the option-holder replacement options (or options under any other share option scheme of any member of our Group) or makes such arrangements as the option-holder may agree to compensate him for the loss of the option; or
- (iii) the Board makes such arrangements as the option-holder may agree to compensate him for the cancellation of the option.

(w) *Termination of the Post-IPO Share Option Scheme*

The Post-IPO Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Board may terminate the Post-IPO Share Option Scheme at any time without Shareholders’ approval by resolving that no further options shall be granted under the Post-IPO Share Option Scheme and in such case, no new offers to grant options under the Post-IPO Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (i) continue subject to the Post-IPO Share Option Scheme, or (ii) be cancelled in accordance with sub-paragraph (v).

(x) Amendments to the Post-IPO Share Option Scheme

The Board may amend any of the provisions of the Post-IPO Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any option-holder at that date), except that amendments which are to the advantage of present or future option-holders in respect of matters contained in Rule 17.03 of the Listing Rules must be approved by the Shareholders in general meeting.

Any amendments to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any amendments to the terms of any options granted may only be made with the approval of the shareholders of our Company save where the amendments take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

Any amendments to the terms of options granted to an option-holder who is a substantial shareholder of our Company or an Independent Non-executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any connected person of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution.

Any change to the authority of the Board in relation to any amendment of the rules of the Post-IPO Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

(y) Conditions of the Post-IPO Share Option Scheme

The adoption of the Post-IPO Share Option Scheme is conditional on:

- (i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme; and
- (ii) the commencement of the dealings in the Shares on the Stock Exchange.

If the conditions above are not satisfied on or before the date following six months after the date the Post-IPO Share Option Scheme was conditionally adopted:

- (a) the Post-IPO Share Option Scheme shall forthwith determine;
- (b) any option granted or agreed to be granted pursuant to the Post-IPO Share Option Scheme and any offer of such a grant shall be of no effect; and

- (c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Post-IPO Share Option Scheme or any option.

(z) *General*

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Post-IPO Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Post-IPO Share Option Scheme.

Details of the Post-IPO Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

E. OTHER INFORMATION

1. Litigation

During the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our Company's results of operations or financial condition.

2. Preliminary expenses

Our preliminary expenses are RMB33,776 and have been paid by our Company.

3. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

4. Application for Listing

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option on the Hong Kong Stock Exchange and the Shares to be issued upon the exercise of any Pre-IPO Share Options and the Post-IPO Share Options and Shares to be issued pursuant to the Post-IPO RSU Scheme or any future conversion. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

5. No material adverse change

The Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2013 the date of the latest audited consolidated financial statements of our Group.

6. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and Companies (Winding up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

| <u>Name</u> | <u>Qualifications</u> |
|---|---|
| UBS Securities Hong Kong Limited | A licensed corporation registered for Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO |
| China International Capital Corporation Hong Kong Securities Limited | A licensed corporation registered for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| PricewaterhouseCoopers | Certified public accountants |
| Shanghai iResearch Co., Ltd. | Industry consultant |
| Fangda Partners | Company's PRC legal advisor |
| Conyers Dill & Pearman (Cayman) Limited | Cayman Islands attorneys-at-law |
| Dr. Gerard McCoy QC | Senior counsel, barrister-at-law in Hong Kong |

7. Consents of Experts

Each of the experts as referred to in the section headed “E. Other Information – 6. Qualification of Experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date and save as disclosed in this prospectus, none of the experts named above has any shareholding interests in our Company or any of its subsidiaries or PRC Operating Entities or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe in our Company or any of its subsidiaries or the PRC Operating Entities.

8. Independence of Sponsors and Sponsors’ Fees

UBS Trustees (BVI) Limited, an affiliate of UBS Securities Hong Kong Limited, is the trustee of Mr. Fu’s Trust and Mr. Fu Yanchang’s Trust and holds the entire issued share capital of Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited through Three-Body Holdings Ltd and Star Wonder Holding Ltd, respectively. Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited hold 306,000,000 Shares and 34,000,000 Shares in our Company, respectively, representing approximately 25.14% and 2.79%, respectively in the issued share capital of the Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised). In such circumstance, UBS Securities Hong Kong Limited does not satisfy the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules. CICC satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will be paid by our Company a total fee of US\$2.0 million to act as sponsors to the Company in connection with the Listing of the Company.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Tax and Other Indemnities

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax.

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, our Shares.

11. 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 or PRC Operating Entities.

12. Bilingual prospectus

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

13. Register of members

Subject to the provisions of the Cayman Companies Law, our register of members will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited.

14. Miscellaneous

- (a) Save as otherwise disclosed in this prospectus:
 - (i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or of any of our principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to Underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;
 - (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (iv) no share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (v) our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus;

- (vi) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

- (vii) our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, (ii) the written consents referred to in paragraph headed “Appendix IV – Statutory and General Information – E. Other Information – 7. Consents of Experts” in this prospectus, and (iii) copies of each of the material contracts referred to in paragraph headed “Appendix IV – Statutory and General Information – B. Further Information about the Business of our Company – 1. Summary of material contracts” in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Kirkland & Ellis, 26th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum of Association and our Articles of Association;
- (b) the accountants’ report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited and consolidated financial statements of our Company for the three years ended December 31, 2011, 2012 and 2013;
- (d) the report from PricewaterhouseCoopers relating to the unaudited pro forma financial information of our Company, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice dated June 25, 2014 prepared by Conyers Dill & Pearman (Cayman) Limited, our legal adviser on Cayman Islands laws, summarizing certain aspects of the Cayman Companies Law, the text of which is set out in Appendix III to this prospectus;
- (f) the PRC general and property legal opinions dated June 25, 2014 issued by Fangda Partners, our PRC Legal Advisor in respect of our general matters and property interest of our Group;
- (g) the legal opinion dated March 14, 2014 issued by Dr. Gerard McCoy QC;
- (h) copies of material contracts referred to under the paragraph headed “Appendix IV – Statutory and General Information – B. Further Information about the Business of our Company – 1. Summary of our material contracts” in this prospectus;
- (i) the written consents referred to under the paragraph headed “Appendix IV – Statutory and General Information – E. Other Information – 7. Consents of Experts” in this prospectus;

- (j) the service agreements and letters of appointment referred to under the paragraph headed “Appendix IV – Statutory and General Information – C. Further Information about Directors and substantial shareholders” in this prospectus;
- (k) the Cayman Companies Law;
- (l) the rules of the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme, the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme; and
- (m) the full list of all the grantees who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme and the full list of all the grantees who have been granted RSUs under the Pre-IPO RSU Scheme, containing all the details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

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