

Renren Inc.
Form 20-F
May 16, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

FORM 20-F

(Mark One)

Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

or

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

^XFor the fiscal year ended December 31, 2015.

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

or

For the transition period from to

Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of event requiring this shell company report

Commission file number: 001-35147

Renren Inc.
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

Cayman Islands
(Jurisdiction of incorporation or organization)

5/F, North Wing

18 Jiuxianqiao Middle Road

Chaoyang District, Beijing 100016

People's Republic of China
(Address of principal executive offices)

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People's Republic of China
(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American depositary shares, each representing three Class A ordinary shares	The New York Stock Exchange
Class A ordinary shares, par value US\$0.001 per share*	

*Not for trading, but only in connection with the listing on The New York Stock Exchange of American depositary shares ("ADSs"). Currently, each ADS represents three Class A ordinary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2015, 714,365,091 Class A ordinary shares, par value US\$0.001 per share and 305,388,450 Class B ordinary shares, par value US\$0.001 per share were outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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INTRODUCTION

In this annual report, except where the context otherwise requires and for purposes of this annual report only:

“Activated users” refers to the number of Renren user accounts that have been registered and activated. Our users may register with us through their mobile phone number or their email address. Following registration by mobile phone number, the mobile phone will receive an SMS verification code, which must be entered to activate the account. Following registration by email address, an email containing an activation link will automatically be sent to the user’s email address, and the user must then activate by clicking the link. Not all registered users activate the accounts they register with us.

“ADSs” refers to our American depositary shares, each of which represents three Class A ordinary shares.

“Monthly unique log-in users” refers to the number of different user accounts from which Renren Mobile App or *renren.com* has been logged onto during a given month.

The “PRC” or “China” refers to the People’s Republic of China, excluding, for purposes of this annual report only, Hong Kong, Macau and Taiwan.

“Shares” or “ordinary shares” refer, collectively, to our Class A and Class B ordinary shares, par value US\$0.001 per share. Except as otherwise indicated, all share and per share data in this annual report give retroactive effect to the ten-for-one share split that became effective on March 25, 2011.

“SNS” refers to social networking services.

“We,” “us,” “our company,” and “our” refer to Renren Inc. and its subsidiaries, its consolidated affiliated entities, and subsidiaries of its consolidated affiliated entities.

Our financial statements are expressed in U.S. dollars, which is our reporting currency. Certain Renminbi figures in this annual report are translated into U.S. dollars solely for the reader’s convenience. Unless otherwise noted, all convenience translations from Renminbi to U.S. dollars in this annual report were made at a rate of RMB6.4778 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2015. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, at the rate stated above, or at all.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that reflect our current expectations and views of future events. These forward looking statements are made under the “safe-harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by these forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to” or other similar expressions. These forward-looking statements include statements relating to:

- our goals and strategies;

- our future business development, financial condition and results of operations;

- expected changes in our revenues and certain cost and expense items;
- the expected growth of the SNS, online advertising and internet finance businesses in China;
- our expectations regarding demand for and market acceptance of our services;
- our expectations regarding the retention and strengthening of our relationships with advertisers;
- changes in technology affecting our business, and our company's responses to these changes;
- our plans to enhance our user experience, infrastructure and service offerings;
- competition in our industry in China;
- the performance of our strategic and financial investments; and
- relevant government policies and regulations relating to our industry.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, and business strategy. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect, and our actual results could be materially different from our expectations. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements with these cautionary statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. 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.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A.

Selected Financial Data

Selected Consolidated Financial Data

The following selected consolidated statement of operations data for the three years ended December 31, 2013, 2014 and 2015 and the selected consolidated balance sheet data as of December 31, 2014 and 2015 have been derived from our audited consolidated financial statements included elsewhere in this annual report. Our selected consolidated statement of operations data for the years ended December 31, 2011 and 2012 and our selected consolidated balance sheet data as of December 31, 2011, 2012 and 2013 have been derived from our audited consolidated financial statements not included in this annual report, except for the impact of retrospective adjustments for the deconsolidation of Nuomi, our social commerce business, which we ceased to control on October 26, 2013, Qingting, our automobile advertisement business, which we ceased to control on October 31, 2013, 56.com, our online video business, which we ceased to control on December 1, 2014, and our online games business, which we classified as held for sale in 2015, all of which have been classified as discontinued operations.

The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5—Operating and Financial Review and Prospects” in this annual report. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Due to the retrospective adjustments, our results of operations for the years ended December 31, 2011, 2012, 2013 and 2014 and financial positions as of December 31, 2011, 2012, 2013 and 2014 are not directly comparable to the financial data reported in our previously filed annual reports.

Our historical results do not necessarily indicate results expected for any future periods.

	Year ended December 31,				
	2011	2012	2013	2014	2015
	(in thousands of US\$, except for share, per share and per ADS data)				
Summary Consolidated Statement of Operations					
Data:					
Net revenues	\$ 109,427	\$ 152,881	\$ 64,050	\$ 46,668	\$ 41,111
Cost of revenues	24,501	48,196	32,970	34,663	36,720
Gross profit	84,926	104,685	31,080	12,005	4,391
Operating expenses(1):					
Selling and marketing	36,101	47,194	43,166	34,593	30,502
Research and development	37,072	71,104	54,716	42,697	32,392
General and administrative	14,908	32,640	38,021	48,764	46,803
Impairment of intangible assets	446	—	—	—	—
Impairment of goodwill	—	—	—	46,864	—
Total operating expenses	88,527	150,938	135,903	172,918	109,697
Loss from operations	3,601	46,253	104,823	160,913	105,306
Other income (expenses)	2,300	2,446	979	(1,352)	(6,884)
Exchange gain (loss) on dual currency deposit/offshore bank accounts	7,753	(1,769)	1,476	(2,277)	(174)
Interest income	9,570	20,025	12,769	12,569	2,190
Interest expense	—	—	—	—	(2,041)
Realized gain (loss) on short-term investments	50,911	4,317	56,022	139,265	(98,112)
Impairment of short-term investments	—	—	(2,098)	—	—
Impairment of equity method investments	—	—	(23,025)	—	(4,258)
Impairment of cost method investment	(79)	—	—	—	—
(Loss) income before provision of income tax and earnings (loss) in equity method investments and noncontrolling interest, net of income taxes	66,854	(21,234)	(58,700)	(12,708)	(214,585)
Income tax benefit (expenses)	(640)	(1,377)	3,959	(6,517)	(3,124)
(Loss) income before earnings (loss) in equity method investments and noncontrolling interest, net of income taxes	66,214	(22,611)	(54,741)	(19,225)	(217,709)

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Earnings (loss) in equity method investments, net of income taxes	1,320	(7,471)	20,317	49,015	(5,468)
Income (loss) from continuing operations	67,534	(30,082)	(34,424)	29,790	(223,177)
(Loss) income from the operations of the discontinued operations, net of income taxes	(26,530)	(44,971)	(34,600)	(27,194)	1,520
Gain on deconsolidation of the subsidiaries, net of income taxes	—	—	132,665	489	—
Gain on disposal of equity method investment, net of income taxes	—	—	—	56,993	—
Gain (loss) from discontinued operations, net of income taxes	(26,530)	(44,971)	98,065	30,288	1,520
Net income (loss)	41,004	(75,053)	63,641	60,078	(221,657)
Net loss attributable to the noncontrolling interest	252	27	92	382	1,529
Net income (loss) from continuing operations attributable to Renren Inc.	67,786	(30,055)	(34,332)	30,172	(221,648)
Net income (loss) from discontinued operations attributable to Renren Inc.	(26,530)	(44,971)	98,065	30,288	1,520
Net income (loss) attributable to Renren Inc.	\$ 41,256	\$ (75,026)	\$ 63,733	\$ 60,460	\$ (220,128)
Net income (loss) per share:					
Net income (loss) per share from continuing operations attributable to Renren Inc. shareholders:					
Basic	\$ 0.08	\$ (0.03)	\$ (0.03)	\$ 0.03	\$ (0.22)

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	Year ended December 31,					
	2011	2012	2013	2014	2015	
	(in thousands of US\$, except for share, per share and per ADS data)					
Diluted	\$0.08	\$(0.03	) \$(0.03	) \$0.03	\$(0.22)
Net income (loss) per share from discontinued operations attributable to Renren Inc. shareholders:						
Basic	\$(0.03	) \$(0.04	) \$0.09	\$0.03	\$0.00	
Diluted	\$(0.03	) \$(0.04	) \$0.09	\$0.03	\$0.00	
Net income (loss) per share attributable to Renren Inc. shareholders:						
Basic	\$0.05	\$(0.07	) \$0.06	\$0.06	\$(0.22)
Diluted	\$0.05	\$(0.07	) \$0.06	\$0.06	\$(0.22)
Net income (loss) attributable to Renren Inc. shareholders per ADS(2):						
Basic	\$0.15	\$(0.20	) \$0.17	\$0.17	\$(0.65)
Diluted	\$0.14	\$(0.20	) \$0.17	\$0.17	\$(0.65)
Weighted average number of shares used in calculating net income (loss) per ordinary share from continuing operations attributable to Renren Inc. shareholders:						
Basic	850,670,583	1,151,659,545	1,118,091,879	1,059,446,436	1,019,378,556	
Diluted	901,340,381	1,151,659,545	1,118,091,879	1,067,631,709	1,019,378,556	
Weighted average number of shares used in calculating net income (loss) per ordinary share from discontinued operations attributable to Renren Inc. shareholders:						
Basic	850,670,583	1,151,659,545	1,118,091,879	1,059,446,436	1,019,378,556	
Diluted	901,340,381	1,151,659,545	1,130,739,922	1,067,631,709	1,027,236,202	

(1) Including share-based compensation expenses as set forth below:

Year ended December 31,				
2011	2012	2013	2014	2015
(in thousands of US\$)				

Allocation of Share-based Compensation Expenses:

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Selling and marketing	414	356	138	193	243
Research and development	1,628	1,511	404	916	781
General and administrative	3,227	7,820	9,608	18,983	25,481
	5,269	9,687	10,150	20,092	26,505
Expenses from the discontinued operations	254	1,210	5,988	3,512	1,736
Total share-based compensation expenses	\$5,523	\$10,897	\$16,138	\$23,604	\$28,241

(2) Each ADS represents three Class A ordinary shares.

	As of December 31,				
	2011	2012	2013	2014	2015
	(in thousands of US\$)				
Summary Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$283,182	\$205,588	\$149,511	\$166,652	\$56,226
Term deposits	702,680	550,000	492,699	494,065	—
Restricted cash	—	—	—	—	122,316
Short-term investments	53,393	147,045	301,995	29,384	2,619
Accounts receivable, net	14,851	18,206	15,865	11,599	4,044
Receivable for internet finance business	—	—	—	6,285	144,457
Total current assets	1,116,970	952,734	1,122,587	763,203	403,938
Total assets	1,278,008	1,201,813	1,385,686	1,149,153	1,267,833
Total current liabilities	60,487	90,119	115,262	46,044	208,751
Total liabilities	67,463	96,683	115,418	46,774	338,445
Total equity (deficit)	\$1,210,545	\$1,105,130	\$1,270,268	\$1,102,379	\$929,388

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D.

Risk Factors

Risks Related to Our Business and Industry

We have a history of declining net revenues and increasing losses from operations, and our new business initiatives may not be successful.

We have made significant changes to our business scope in recent years. The portfolio of services we offer has evolved from real name SNS, historically the core of our company's business, to include internet finance business and other new initiatives. We have also disposed of some of our existing businesses in order to focus on new business opportunities. For instance, we sold Nuomi Holdings Inc., or Nuomi, which operated our social commerce business, to Baidu in two stages in October 2013 and February 2014, and we sold Qianjun Internet Technology Co., Ltd., or Qianjun Technology, which operated our user generated content online video sharing website 56.com, to Sohu.com in December 2014. In November 2015, our board of directors approved the disposition of our online games business and we subsequently completed the disposition of this business in March 2016. While our old businesses were not profitable or not as profitable as we had hoped they would be, the profitability of our new initiatives has yet to be proven. Expansion into new businesses may present operating and marketing challenges that are different from those that we currently encounter, and we cannot assure you that our new business initiatives will be successful enough to justify the time, effort and resources that we devote to them.

We had net revenues of US\$152.9 million, US\$64.1 million and US\$46.7 million in 2012, 2013 and 2014, respectively, and losses from operations of US\$46.3 million, US\$104.8 million and US\$160.9 million, respectively, over the same period. In 2015, after we had disposed of Nuomi and 56.com and reclassified our online games business as held for sale and while our new internet finance business was still in its early stages, our revenue declined further to US\$41.1 million. By disposing of businesses we also significantly reduced our operating expenses, and our losses from operations fell to US\$105.3 million in 2015. However, we expect that we will incur significant research and development, marketing and other costs to launch new services and grow our internet finance business. If our internet finance business does not grow as rapidly as we hope or if we cannot control costs effectively as the business grows, we may not be able to achieve profitability.

If we are deemed an “investment company” under the Investment Company Act of 1940, it would adversely affect the price of our ADSs and ordinary shares and could have a material adverse effect on our business.

Our assets include a 21.2% interest in Social Finance Inc., a 20.0% interest in 268V Limited, a 14.7% interest in Lending Home Corporation, a 29.0% interest in Trucker Path Inc. and a 25.3% interest in Rise Companies Corp. These and other investments that we have made may be deemed to be “investment securities” within the meaning of the

Investment Company Act of 1940, as amended. As a foreign private issuer, we would not be eligible to register under the Investment Company Act, so if we are deemed to be an investment company within the meaning of the Investment Company Act, we would either have to obtain exemptive relief from the SEC, modify our contractual rights or dispose of investments in order to fall outside the definition of an investment company. Additionally, we may have to forego potential future acquisitions of interests in companies that may be deemed to be investment securities within the meaning of the Investment Company Act. Failure to avoid being deemed an investment company under the Investment Company Act coupled with our inability as a foreign private issuer to register under the Investment Company Act could make us unable to comply with our reporting obligations as a public company in the United States and lead to our being delisted from the New York Stock Exchange, which would have a material adverse effect on the liquidity and value of our ADSs and Class A ordinary shares.

Future disposals of long-term investments may have a material and adverse effect on our business and financial condition.

We have made a series of long-term investments in privately held companies that we believe offer synergies or access to resources and know-how that will be useful in developing our own business operations, particularly in our internet finance business. We have focused our major strategic investments in several segments of the internet finance business, including student loans and credit financing, real estate and mortgage services, and wealth management and investment brokerage services. We have also made long-term investments in companies with less of a direct connection to our current businesses. As of December 31, 2015, our balance sheet included US\$811.0 million in long-term investments in some 55 unconsolidated subsidiaries and investment funds.

We plan to reduce the number and aggregate size of these investments, and we will be looking for opportunities to reduce or dispose of our interests in some of these companies. Ownership interests in privately held companies are by their nature relatively illiquid and in some cases our ability to sell may be subject to restrictions under shareholder agreements or similar documents. We will decide which companies to reduce or dispose of our interests in based on a number of factors, including our assessment of the degree to which these companies may contribute to our current and future businesses as well as our assessment of their future growth potential.

Our assessments could be inaccurate and reducing or eliminating our ownership interests in these privately held companies might negatively affect our operations or long-term value. We may lose access to resources or know-how that would have been useful in the development of our own business. We may sell our interests too early, and thus forego gains that we otherwise would have received had we not sold. Selecting investments to dispose of, finding buyers for them and negotiating prices for what may be relatively illiquid ownership interests with no easily ascertainable fair market value will also require significant attention from our management and may divert resources from our existing business, which in turn could have an adverse effect on our business operations.

Furthermore, we recorded the values of certain of our investments in equity interests in companies that are not our subsidiaries in our financial statements at carrying value, which reflect our historical cost for these investments and are not intended to reflect or otherwise estimate the fair market value of these investments. See “Item 5.A—Operating Results—Critical Accounting Policies—Long-term Investments.” Although we believe the fair market value of these investments to have been equal to or greater than the carrying value as of the dates presented in our financial statements, we cannot assure you that the fair market value will not decline before we realize any of our investments. Numerous factors, many of which are beyond our control, could affect the amount and timing of any realizations, and the amount realized with respect to any particular investment may be materially less than the value of that investment currently presented on our financial statements, which could be material to our financial condition.

If we fail to manage our cash prudently, we may suffer material losses or material fluctuation in the value of our assets or be unable to carry out our business strategies.

Following our initial public offering and concurrent private placement in 2011, we held a significant portion of our total assets in the form of cash, cash equivalents and term deposits at commercial banks with high credit ratings. Between 2011 and 2013, the aggregate value of our cash, cash equivalents and term deposits declined while our short-term investments increased significantly. Short-term investments comprise marketable securities which are classified as trading or available-for-sale as well as derivative financial instruments that are regarded as assets. After 2013, we liquidated most of our short-term investments in order to deploy cash in long-term investments in connection with the transition in our business strategy and focus, but we also made investments in certain derivative financial instruments in 2014 and 2015, including interest rate swaptions, interest rate swaps and stock index options. As a consequence of our cash management strategies, our gains and losses on short-term investments have fluctuated significantly. We realized gains on short-term investments of US\$56.0 million and US\$139.3 million in 2013 and 2014, respectively, and incurred losses on short-term investments of US\$98.1 million in 2015. The losses in 2015

were due primarily to investments in certain derivative financial instruments. As we proceed with our plans to dispose of long-term investments in 2016, we expect our cash to increase at least temporarily until we can deploy it in our business, and if we fail to manage our cash prudently, we may suffer material losses or material fluctuation in the value of our assets or be unable to carry out our business strategies.

Our strategy to acquire or invest in complementary businesses and establish strategic alliances involves significant risk and uncertainty that may prevent us from achieving our objectives and harm our financial condition and results of operations.

As part of our business transition, we have acquired or invested in complementary businesses in order to gain access to or develop new technologies, know-how or services. For example, we have invested more than US\$240 million in Social Finance Inc., or SoFi, a privately held company that operates a social finance business in the United States similar to the business that we have been establishing in China.

Strategic acquisitions and investments may subject us to uncertainties and risks, including:

- costs and difficulties associated with integrating acquired businesses and managing a larger business;

 - potentially significant goodwill impairment charges;

 - potential ongoing financial obligations and unforeseen or hidden liabilities;

- failure to achieve our intended objectives, benefits or revenue-enhancing opportunities;

 - high acquisition and financing costs;

- potential claims or litigation regarding our board's exercise of its duty of care and other duties required under applicable law in connection with any of our significant acquisitions or investments approved by the board;

 - regulatory risk in the United States, the PRC and other countries; and

 - diversion of our resources and management attention.

Failure to address these uncertainties and risks could have a material adverse effect on our liquidity, financial condition and results of operations. For example, we recognized US\$23.0 million in impairment losses on equity method investments for the year ended December 31, 2013.

In addition, we may from time to time attempt to achieve our objectives by establishing strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business and results of operations.

If we fail to continually anticipate user preferences and provide attractive services and applications, we may not be able to increase the size and level of engagement of our SNS user base.

The success of our business depends in part on our ability to grow our SNS user base and keep our users highly engaged. In order to attract and retain users, we must continue to innovate and introduce services and applications that our users find enjoyable. If we fail to anticipate and meet the needs of our users, the size and engagement level of our

user base may decrease, as it has done in the last several years. Furthermore, because of the viral nature of social networking, users may switch to our competitors' services more quickly than in other online sectors, despite the fact that it would be time-consuming for them to restart the process of establishing connections with friends and post photos and other content via one of our competitor's services.

We suffered a significant drop in monthly unique log-in users in 2013, and then in average amount of time that unique log-in users spent on our platform in 2014. Our monthly unique log-in users increased from approximately 45 million in December 2013 to approximately 46 million in December 2014 but then decreased again to approximately 41 million as of December 2015. The average amount of time that unique log-in users spent on our platform decreased from approximately 7.7 hours in 2013 to approximately 4.0 hours in 2014 and then further to approximately 1.8 hours in 2015. Decreases in the number of our users or the amount of time they spend on our platform render our services less attractive to users and advertisers and may decrease our revenues, which may have a material and adverse effect on our business, financial condition and results of operations.

In addition, since a substantial number of users of our new services and products over the years had already been users of *renren.com* and Renren Mobile App, the two components of our SNS platform, we believe that the new services we may pursue will depend upon our ability to maintain and increase the user base for our SNS platform, the level of user engagement on our platform and the stickiness of our platform. If we are unable to maintain or increase the size and level of engagement of our user base for our SNS platform, the performance of our new services may be materially and adversely affected.

We face significant competition in almost every aspect of our business. If we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be materially and adversely affected.

We face significant competition in almost every aspect of our business. In our social networking business, we compete with companies and services such as Tencent's WeChat, QQ mobile, and Q-zone, SINA's Weibo, and Momo. Competition with these services in the mobile landscape is as intense as with their PC counterparts, if not more so. We started our internet finance business in 2014 and we primarily compete with established banks and lending companies in China such as Qufenqi.com and Fenqile.com in online consumer financing services and Chedai.com and Limiku.com in automobile financing services.

Some of our competitors have significantly larger user bases and more established brand names and may be able to effectively leverage their user bases and brand names to provide integrated internet communication, online games, social networking and other products and services available over the internet via mobile devices and personal computers and increase their respective market shares. We may also face competition from global social networking service providers that seek to enter the China market. Some of our competitors may have longer operating histories and significantly greater financial, technical and marketing resources than we do, and so in turn may have an advantage in attracting and retaining users and advertisers. If we are not able to effectively compete, our user base and level of user engagement may decrease, which could make us less attractive to advertisers and materially and adversely affect our ability to maintain and increase revenues from online advertising, and which may also reduce the number of paying users that purchase our internet value-added services, or IVAS. Similarly, we may be required to spend additional resources to further increase our brand recognition and promote our services in order to compete effectively, especially with respect to marketing other new services to capture market share, which could adversely affect our profitability.

In addition, we compete for advertising budgets with traditional advertising media in China, such as television and radio stations, newspapers and magazines, and major out-of-home media. If online advertising as a new marketing channel does not become more widely accepted in China, we may experience difficulties in competing with traditional advertising media.

Furthermore, failure of our new internet finance business to achieve or maintain more widespread market acceptance against our competitors could harm our business and results of operations. If we are not able to develop services that attracted to our target customers and compete effectively, we may not be able to grow our user base and may be required to incur significant expenses for user acquisition, which could adversely affect our financial results.

If our internet finance services do not achieve sufficient market acceptance, our financial results and competitive position will be harmed.

Our internet finance business currently includes Renren Fenqi, a financial service platform, Renren Licai, a financing and lending platform, and our automobile financing services. Many elements of our internet finance business are relatively unproven, and the internet finance market in China is relatively new, rapidly developing and subject to significant challenges. Although we intend to devote significant resources to expanding our internet finance business and to develop and offer more innovative products to our clients, we have limited experience with this business model and cannot assure you of its future success. If we fail to address the needs of internet finance customers, adapt to rapidly evolving market trends or continue to offer innovative products and services, there may not be significant market demand for our internet finance products and services. In addition, our internet finance business will continue to encounter risks and difficulties that early stage businesses frequently experience, including the potential failure to cost-effectively expand the size of our customer base, maintain adequate management of risks and expenses, implement our customer development strategies and adapt and modify them as needed, develop and maintain our competitive advantages and anticipate and adapt to changing conditions in China's internet financing industry resulting from mergers and acquisitions involving our competitors or other significant changes in economic conditions, competitive landscape and market dynamics. We have not yet proven the essential elements of profitable operations in our internet finance business.

Our internet finance services could fail to attain sufficient market acceptance for many reasons, including but not limited to:

- failure to predict market demand accurately and supply loan products that meet this demand in a timely fashion;
- failure to properly price new loan products;
- defects, errors or failures on our platform;
- negative publicity about our loan products or our platform's performance or effectiveness;
- views taken by regulatory authorities that new products or platform changes do not comply with PRC laws, rules or regulations applicable to us; and
- the introduction or anticipated introduction of competing products by our competitors.

If our internet finance services do not achieve adequate acceptance in the market, our competitive position, results of operations and financial condition could be harmed.

We may not be able to successfully expand and monetize our mobile internet services.

An important element of our strategy is to continue to expand our mobile internet services. We have made significant efforts in recent years to develop new mobile applications to capture a greater share of the growing number of users that access social networking, internet finance and other internet services through smart phones and other mobile devices. The mobile percentage of the monthly total user time spent on our SNS service was 79.2%, 87.9% and 68.6% in December 2013, 2014 and 2015, respectively, and the number of monthly unique mobile users who accessed Renren SNS increased from 14.7 million in December 2013 to 20.5 million in December 2014 and decreased to 19.5 million in December 2015. If we are unable to attract and retain a substantial number of mobile device users, or if we are slower than our competitors in developing attractive services that are adapted for such devices, we may fail to capture a significant share of an increasingly important portion of the market for our services or lose existing users, either of which may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we are in the midst of experimenting with multiple early monetization strategies for our mobile internet services. Advertisers currently spend significantly less on advertising on mobile devices as compared to advertising on personal computers, and we cannot assure you that advertisers will in the future increase their spending on advertising on mobile devices. As our users continue to allocate more time on our mobile services instead of our traditional PC services, mobile monetization will become increasingly important as a path to profitability. Accordingly, if we are unable to successfully implement monetization strategies for our mobile users and if our users continue to increasingly

access our services through mobile devices as a substitute for access through personal computers, our revenue and financial results may be negatively affected.

The business opportunities for social networking, internet finance and other internet services in China are continually evolving and may not grow as quickly as expected, in ways that are consistent with other markets, or at all.

Our business and prospects depend on the continual development of emerging internet business models in China, including those for social networking and internet finance. Our main internet services have distinct business models which may differ from models for these businesses in other markets, such as the United States, and that are in varying stages of development and monetization. We cannot assure you that the industries in which we operate in China will continue to grow as rapidly as they have in the past, in ways that are consistent with other markets, or at all. With the development of technology, new internet services may emerge which may render our existing service offerings less attractive to users. The growth and development of the social networking and internet finance industries is affected by numerous factors, such as the macroeconomic environment, regulatory changes, technological innovations, development of internet and internet-based services, users' general online experience, cultural influences and changes in tastes and preferences. If these internet industries do not grow as quickly as expected or at all, or if we fail to benefit from such growth by successfully implementing our business strategies, our business and prospects may be adversely affected.

If we fail to keep up with the technological developments and users' changing requirements, our business and prospects may be materially and adversely affected.

The social networking and internet finance industries are subject to rapid and continual changes in technology, user preferences, such as the movement of our user base from personal computers to mobile devices, the nature of services offered and business models. Our success will depend on our ability to keep up with the changes in technology and user behavior resulting from technological developments. If we do not adapt our services to such changes in an effective and timely manner, we may suffer from decreased user traffic, which may result in a reduced number of advertisers for our online advertising services or a decrease in their advertising spending. In addition, if we adopt new technologies which turn out to be less proven, and user experience suffers as a result, our users may use our platform less often. Furthermore, changes in technologies may require substantial capital expenditures in product development as well as in modification of products, services or infrastructure. We may not successfully execute our business strategies due to a variety of reasons such as technical hurdles, misunderstanding or erroneous prediction of market demand or lack of necessary resources. Failure to keep up with technological developments may result in our platform being less attractive, which in turn may materially and adversely affect our business and prospects.

The laws and regulations governing peer-to-peer lending in China are evolving and subject to changes. If our practices are deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected.

Due to the relatively short history of peer-to-peer lending in China, the regulatory framework governing the industry is still under development. Currently, the PRC government has not promulgated any specific rules, laws or regulations to directly regulate the peer-to-peer lending industry. In December 2015, the China Banking Regulatory Commission, or CBRC, released for public comment the Draft Interim Administrative Measures for the Business Activities of Peer-to-Peer Lending Information Intermediaries, or Draft P2P Measures. Once adopted, this will be the first regulation that specially regulates the peer-to-peer lending industry. The Draft P2P Measures propose a set of restrictions on peer to peer lending business, but do not propose a licensing or pre-approval regime. The restrictions proposed by the Draft P2P Measures include, amongst others, limiting peer to peer lending to the role of information intermediaries instead of credit intermediaries (i.e., providing “credit enhancement services”), prohibiting peer to peer lenders from absorbing public deposits, collecting capital, establishing capital pools and providing guarantees for lenders, and restricting the issuance of financial products on peer to peer lending platforms. Online lending platforms would also be required to publicly disclose aggregate loan information and performance, as well as register with the local financial authorities to improve transparency. Under the draft Measures, there would be an 18-month grace period once the Measures go into effect for existing companies already engaging in peer-to-peer lending activities to comply with the new rules.

There are substantial uncertainties with respect to the enactment timetable, final content, interpretation and implementation of the Draft P2P Measures. The Draft P2P Measures, if enacted as proposed, could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

In July 2015, the People's Bank of China together with nine other PRC regulatory agencies jointly issued a series of policy measures applicable to the online peer-to-peer lending service industry titled the Guidelines on Promoting the Healthy Development of Internet Finance, or the Guidelines. The Guidelines introduced formally for the first time a regulatory framework and basic principles for administering the peer-to-peer lending service industry in China.

The Guidelines specify that the China Banking Regulatory Commission, or the CBRC, will have primary regulatory responsibility for the online peer-to-peer lending service industry in China and state that online peer-to-peer lending service providers should operate as information intermediaries and are prohibited from engaging in illegal fund-raising and providing "credit enhancement services". The Guidelines also provide additional requirements for China's internet finance industry, including the use of custody accounts with qualified banks to hold customer funds as well as information disclosure requirements, among others.

However, the Guidelines only set out the basic principles for promoting and administering the online peer-to-peer lending service industry, and were not accompanied by any implementing rules. The Guidelines instead urge the relevant regulatory agencies to adopt implementing rules at the appropriate time. As the implementing rules of the Guidelines have not been published, there is uncertainty as to how the requirements in the Guidelines will be interpreted and implemented. Although the Guidelines prohibit online peer-to-peer lending service providers from providing “credit enhancement services,” it is uncertain how the “credit enhancement services” mentioned in the Guidelines will be interpreted due to the lack of detailed implementing rules in the Guidelines. See “Regulation—Regulations Relating to Online Peer-to-Peer Lending.”

In addition to the Guidelines, there are certain other rules, laws and regulations relevant or applicable to the online peer-to-peer lending service industry, including the PRC Contract Law, the General Principles of the Civil Law of the PRC, and related judicial interpretations promulgated by the Supreme People’s Court. See “Regulation—Regulations Relating to Online Peer-to-Peer Lending.” We appointed a senior management member to act as an intermediary to facilitate certain financing services, namely to sign loan agreement with borrowers acquired from our Renren Fenqi platform and to finance such borrowers with certain funds that we initially provided to him. We transfer such creditor’s rights arising from the loan agreement to investors who want to invest on Renren Licai through the intermediary person. Through the intermediary person, we also agree to repurchase the creditor's rights from the investors upon the maturity of the investment period. Due to the lack of detailed rules and the fact that the rules, laws and regulations are expected to continue to evolve in this newly emerging industry, we cannot be certain if any of our existing practices would be deemed to be within the scope of such rules, laws and regulations relevant or applicable to the online peer-to-peer lending service industry and, as such, would not be deemed to violate any existing or future rules, laws and regulations.

We have not been subject to any material fines or other penalties under any PRC laws or regulations including those governing the peer-to-peer lending service industry in China. The Guidelines do not set out the liabilities that will be imposed on the service providers who fail to comply with the principles and requirements contained thereunder, nor do other applicable rules, laws and regulations contain specific liability provisions specially as to the financing and lending platform like us. However, if our practice is deemed to violate any rules, laws or regulations, we may face injunctions, including orders to cease illegal activities, and may be exposed to other penalties as determined by the relevant government authorities as well. If such situations occur, our business, financial condition and prospects would be materially and adversely affected. In addition, given the evolving regulatory environment in which we operate, we cannot rule out the possibility that the PRC government will institute a licensing regime covering our industry. If such a licensing regime were introduced, we cannot assure you that we would be able to obtain any newly required license in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations.

The laws and regulations governing internet finance in China are evolving and subject to change. If our practices are deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected.

The Guidelines encourage innovation in internet finance platforms, products and services, provided they are compliant with the law. The Guidelines allocate regulatory oversight and responsibilities among the relevant authorities, among which internet payment services will be under the administration of the People's Bank of China while online lending (including peer to peer lending) and internet consumer finance will be under the administration of the China Banking Regulatory Commission. The Guidelines set forth legal parameters for internet finance platforms, which will serve as a basis for more detailed regulatory rules to be enacted in the future. Among these, the Guidelines state that any enterprise or individual that provides Internet financial services must complete financial regulatory procedures, as well as website record-filing procedures with the telecommunications authorities. Internet finance operators are required to fully disclose their business model, financial status, and transaction models to users. Internet finance operators are also required to implement effective technical safety measures. They are required to store and protect client and transaction information, and are prohibited from selling or divulging a client's personal information. Internet finance operators are required to protect the confidentiality of client information, failing which they would be subject to legal liability. Internet finance operators are required to implement effective measures to identify clients, proactively monitor and report suspicious transactions, and comply with anti-money laundering laws. This means that Internet finance platforms are "specific non-financial institutions that shall abide by anti-money laundering laws" as set forth in China's Anti-Money Laundering Law.

The Guidelines only set out the basic principles for promoting and administering the internet finance service, and were not accompanied by any implementing rules. As the implementing rules of the Guidelines have not been published, there is uncertainty as to how the requirements in the Guidelines will be interpreted and implemented. Given the evolving regulatory environment in which we operate, we cannot rule out the possibility that the PRC government will institute a licensing regime covering our industry. If such a licensing regime were introduced, we cannot assure you that we would be able to obtain any newly required license in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations. Further, if our practice is deemed to violate any rules, laws or regulations, we may face injunctions, including orders to cease illegal activities, and may be exposed to other penalties as determined by the relevant government authorities as well. If such situations occur, our business, financial condition and prospects would be materially and adversely affected. For example, our Renren Fenqi service provides credit financing to college students in China for making purchases on e-commerce platforms. Although we do not believe that we are a consumer finance service company by providing the Renren Fenqi service, it might be considered as a form of consumer finance service subject to the approval of China Banking Regulatory Commission, or CBRC. Pursuant to the Administrative Measures for Pilot Consumer Finance Companies issued by the CBRC in November 2013, establishing a consumer finance service company is subject to approval from the CBRC, and the company should also satisfy certain requirements such as having qualified contributors, with registered capital no less than minimum amount stipulated under the measures, having eligible directors and senior managements and qualified practitioners familiar with consumer finance business, among other requirements. There are very few consumer finance companies have been approved by the CBRC. If these measures were considered applicable to our service, we might not be able to obtain approval from the CBRC in a timely manner or at all.

We rely on online advertising for a sizeable proportion of our revenues. If the online advertising industry in China grows slower than expected or advertisers' willingness to advertise on our SNS platform continues to decline, our revenues, profitability and prospects may be materially and adversely affected.

In 2013, 2014 and 2015, online advertising accounted for 64.9%, 57.6% and 23.6%, respectively, of our total net revenues. Consequently, our profitability and prospects depend in part on the continuous development of the online advertising industry and are impacted by the amount of our advertising clients' budgets which are devoted to advertising on social networking services in China. Advertising on social networking services is a fairly new marketing channel in China, and those companies which are willing to begin advertising online may decide to utilize more established methods or channels for online advertising, such as the more established Chinese internet portals or search engines. As social network users in China continue to spend the majority of their time on mobile, the pace at which advertisers adopt SNS mobile advertising solutions will also largely impact the success of our business. We believe the reduction in our advertising revenue in 2013, 2014 and 2015 was due in part to the intensified competition for users across China's SNS landscape, our major competitors' increasing market share, the continuing shift of our user time to mobile, which we did not begin to monetize until late 2013, and the increasingly competitive landscape for online advertising revenue among the major websites in China offering SNS and other mobile communication services. Further, we may be unable to respond adequately to changing trends in online advertising or advertiser demands or preferences, technological innovation and improvements in the measurement of user traffic and online advertising, and technological developments more generally. In this regard, the migration of our user traffic from PC to mobile has had an adverse impact on our online advertising revenues, as advertisers have, to date, spent considerably less money advertising on mobile devices. If the online advertising market size, particularly the mobile advertising market, does not increase from current levels, we are unable to successfully compete and capture a

sufficient share of that market or we are unable to generate meaningful advertising revenues from mobile devices, our ability to maintain or increase our current level of online advertising revenues and our profitability and prospects could be materially and adversely affected.

The size and level of Renren user engagement on mobile devices depend upon effective operation with mobile operating systems, networks, and standards that we do not control.

There is no guarantee that popular mobile devices will continue to feature Renren, or that mobile device users will continue to use Renren rather than competing products. We are dependent on the interoperability of Renren with popular mobile operating systems that we do not control, such as iOS, Android and Windows, and any changes in such systems that degrade our products' functionality or give preferential treatment to competitive products could adversely affect Renren usage on mobile devices. Additionally, in order to deliver high quality mobile products, it is important that our products work well with a range of mobile technologies, systems, networks, and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. In the event that it is more difficult for our users to access and use Renren on their mobile devices, or if our users choose not to access or use Renren on their mobile devices or use mobile products that do not offer access to Renren, our user engagement could be harmed.

If we fail to maintain and enhance our Renren and other 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 Renren and other brands is of significant importance to the success of our business. Well-recognized brands are critical to increasing the number and the level of engagement of our users and, in turn, enhancing our attractiveness to advertisers. Since we operate in a highly competitive market, maintaining and enhancing our brands directly affects our ability to maintain our market position.

We have developed our reputation and established our leading market position in the social networking industry in China by providing our users with a superior online experience. We have conducted and may continue to conduct various marketing and brand promotion activities, both through cooperation with our business partners and through more traditional methods, such as television advertisements. We cannot assure you, however, that these activities will be successful or that we will be able to achieve the brand promotion effect we expect. In addition, any negative publicity in relation to our services or products, regardless of its veracity, could harm our brands and the perception of our brands in the market.

During the course of the audit of our consolidated financial statements, we and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting. If we fail to re-establish and maintain an effective system of internal control over financial reporting, our ability to accurately and timely report our financial results or prevent fraud may be adversely affected, and investor confidence and the market price of our ADSs may be adversely impacted.

We are subject to reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, adopted rules pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of our internal control over financial reporting.

During the process of preparing our consolidated financial statements for the year ended December 31, 2012, a significant deficiency was identified related to the preparation and disclosure of segment reporting information. We have taken actions to remediate it and we concluded that, as of December 31, 2013, this significant deficiency had been remediated.

During the process of preparing our consolidated financial statements for the year ended December 31, 2014, a significant deficiency was identified related to the monitoring of the formal documentation of the board's preapproval for certain long-term investments. Accordingly, we established a monitoring control in fiscal year 2015 to ensure that

we properly conduct and document the formal board resolutions on preapproval for investments and we concluded that, as of December 31, 2015, this significant deficiency had been remediated.

We and our independent registered public accounting firm, in connection with the preparation and external audit of our consolidated financial statements for the year ended December 31, 2015, identified two material weaknesses, each as defined in the U.S. Public Company Accounting Oversight Board Auditing Standard No. 5, An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements, or AS 5, in our internal control over financial reporting. As defined in AS 5, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The material weaknesses identified are related to (i) lack of implementation of adequate supervisory review controls over the accounting and measurement of our properly approved complex investments, which we began to enter into in 2014, to ensure that these investments are accounted for in conformity with U.S. GAAP, due to which we identified a material adjustment that has been corrected during our preparation of the consolidated financial statements as of and for the year ended December 31, 2015; and (ii) lack of implementation of effective control activities over the newly launched internet finance business to ensure the timely communication of sufficient information to the financial reporting team for certain accounting matters.

Following the identification of these material weaknesses, we have begun taking measures and plan to continue to take measures to remedy them. See “Item 15. Controls and Procedures—Management’s Annual Report on Internal Control over Financial Reporting”. However, the implementation of these measures might not fully address these material weaknesses and other control deficiencies in our internal control over financial reporting, and we might not be able to conclude that they have been fully remedied. Failure to correct these material weaknesses and other control deficiencies or failure to discover and address any other control deficiencies could result in inaccuracies in our consolidated financial statements and could also impair our ability to comply with applicable financial reporting requirements and make related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected.

Due to the material weaknesses in our internal control over financial reporting as described above, our management concluded that our internal control over financial reporting was not effective as of December 31, 2015. This could adversely affect the market price of our ADSs due to a loss of investor confidence in the reliability of our reporting processes.

The continuing and collaborative efforts of our senior management, key employees and highly skilled personnel are crucial to our success, and our business may be harmed if we were to lose their services.

Our success depends on the continuous effort and services of our experienced senior management team, in particular Mr. Joseph Chen, our founder, chairman and chief executive officer, and Mr. James Jian Liu, our executive director and chief operating officer. If one or more of our executive officers or other key personnel are unable or unwilling to continue to provide us with their services, we may not be able to replace them easily or at all. Our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected. Competition for management and key personnel is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executive officers or key personnel, or attract and retain experienced executive officers or key personnel in the future. If any of our executive officers or key employees join a competitor or forms a competing company, we may lose advertiser customers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement with us, which contains non-competition provisions. However, if any dispute arises between us and our executive officers or key employees, these agreements may not be enforceable in China, where these executive officers and key employees reside, in light of uncertainties relating to China's laws and legal system. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

Our performance and future success also depend on our ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Competition in the SNS and internet finance industries for qualified employees, including technical personnel capable of designing innovative services and products, is intense, and if competition in these industries further intensifies, it may be more difficult for us to hire, motivate and retain highly skilled personnel. If we do not succeed in attracting additional highly skilled personnel or retaining or motivating our existing personnel or if we must incur significantly greater expenses to recruit, train and retain personnel, we may be unable to grow effectively or at all.

Content posted or displayed on our websites may be found objectionable by PRC regulatory authorities and may subject us to penalties and other severe consequences.

The PRC government has adopted regulations governing internet access and the distribution of 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 the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as “socially destabilizing” or leaking state secrets of the PRC. Failure to comply with these requirements may result in fines, the revocation of licenses to provide internet content and other licenses, the closure of the concerned websites and reputational harm. In April 2015, we were fined RMB50,000 (US\$7,719) after certain user uploaded content was deemed to be obscene. The website operator may also be held liable for such censored information displayed on or linked to their website. For a detailed discussion, see “Item 4.B—Business Overview—Regulation—Regulations on Value-Added Telecommunications Services,” “Item 4.B—Business Overview—Regulation—Regulations on Internet Content Services” and “Item 4.B—Business Overview—Regulation—Regulations on Information Security.”

Through our SNS platform, we allow users to upload content on our platform, including via message boards, blogs, email, chat rooms, or image-sharing webpages, and also allow users to share, link to and otherwise access audio, video and other content from other websites. In addition, we allow users to download, share and otherwise access games and other applications on and through our platform, including through our Renren Open Platform program. After a user registers and before each upload, we require the user to click a box to confirm that the user has read and agreed to be bound by our copyright agreement. Pursuant to the copyright agreement, the user warrants that the content to be uploaded does not violate any laws or regulations or any third-party rights. If we discover that any uploaded content is inappropriate, we can delete or revise the content, or terminate the user account. In addition, we remove user uploads when we are notified or made aware, by copyright owners or from other sources, of copyright infringements or other illegal uploads. For a description of how content can be accessed on or through our SNS platform, and what measures we take to lessen the likelihood that we will be held liable for the nature of such content, see and “—Risks Related to Our Business and Industry—We have been and may continue to be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our websites, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.”

Failure to identify and prevent illegal or inappropriate content from being displayed on or through our websites for internet users or mobile users may subject us to liability or reduce our revenues. In addition, these laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases the types of content that could result in our liability as a website operator. To the extent that PRC regulatory authorities find any content displayed on or through our websites objectionable, they may require us to limit or eliminate the dissemination or availability of such content on our websites in the form of take-down orders or otherwise. Such regulatory authorities may also impose penalties on us based on content displayed or made available through our websites in cases of material violations, including a revocation of our operating licenses or a suspension or shutdown of our online operations, which would materially and adversely affect our business, results of operations and reputation. Moreover, the costs of compliance with these regulations may continue to increase as a result of more content being uploaded or made available by an increasing number of users and third-party partners and developers.

Concerns about collection and use of personal data could damage our reputation and deter current and potential users from using our services.

As of December 31, 2015, our platform had accumulated a total of approximately 6.9 billion photos and 45.2 billion comments or reviews. Under our privacy policy, we will not provide any of our users’ personal information to any unrelated third party without our users’ prior consent. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information can be shared may adversely affect our ability to share certain data with advertisers, which may limit certain methods of targeted advertising. Concerns about the security of personal data could also lead to a decline in general internet usage, which could lead to lower user traffic on our platform. A significant reduction in user traffic could lead to lower advertising revenues or lower IVAS revenues, which could have a material adverse effect on our

business, financial condition and results of operations.

We could be liable for any breach of security relating to our payment platforms or the third-party online payment platforms we use, and concerns about the security of internet transactions could damage our reputation, deter current and potential users from using our platform and have other adverse consequences to our business.

Currently, we sell a substantial portion of our virtual currency and other paid services and applications to our users through third-party online payment platforms using the internet or mobile networks. In all these online payment transactions, secured transmission of confidential information over public networks is essential to maintain consumer confidence. In addition, we expect that an increasing amount of our sales will be conducted over the internet as a result of the growing use of online payment systems. As a result, associated online fraud will likely increase as well. Our current security measures and those of the third parties with whom we transact business may not be adequate. We must be prepared to increase and enhance our security measures and efforts so that our users have confidence in the reliability of the online payment systems that we use, which will impose additional costs and expenses and may still not guarantee complete safety. In addition, we do not have control over the security measures of our third-party online payment vendors. Although we have not in the past experienced material security breaches of the online payments that we use, such security breaches could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of the online payment systems that we use.

Spammers and malicious applications may make our services less user-friendly, and distort the data used for advertising purposes, which could reduce our ability to attract advertisers.

Spammers may use our platform and services to send targeted and untargeted spam messages to users, which may embarrass or annoy users and make usage of our services and networks more time-consuming and less user-friendly. As a result, our users may use our services less or stop using them altogether. As part of fraudulent spamming activities, spammers typically create multiple user accounts, such as accounts being set-up for the purposes of sending spam messages. Although we have technologies and employees that attempt to identify and delete accounts created for spamming purposes, we may not be able to eliminate all spam messages from being sent on our platform.

In addition, we have limited ability to validate or confirm the accuracy of information provided during the user registration process. Inaccurate data with respect to the number of unique individuals registered and actively using our services may cause advertisers to reduce the amount spent on advertising through our websites. In addition, use of applications that permit users to block advertisements may become widespread, which could make online advertising less attractive to advertisers. Any such activities could have a material adverse effect on our business, financial condition and results of operations.

Advertisements shown on our websites may subject us to penalties and other administrative actions.

Under PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our websites to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. In addition, where a special government review is required for specific types of advertisements prior to website posting, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, we are obligated to confirm that such review has been performed and approval has been obtained. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses.

While significant efforts have been made to ensure that the advertisements shown on our websites are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements or offers is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Online communications among our users may lead to personal conflicts, which could damage our reputation, lead to government investigation and have a material and adverse effect on our business.

Our users engage in highly personalized exchanges over our platform. Users who have met online through our services may become involved in emotionally charged situations and could suffer adverse moral, emotional or physical consequences. Such occurrences could be highly publicized and have a significant negative impact on our reputation. Government authorities may require us to discontinue or restrict those services that would have led, or may lead, to such events. As a result, our business may suffer and our user base, revenues and profitability may be materially and adversely affected.

We rely on third parties to provide a number of important services in connection with our business, and any disruption to the provision of these services to us could materially and adversely affect our business and results of operations.

Our business is to a significant extent dependent upon services provided by third parties and business relationships with third parties. Substantially all of our online advertising revenues are generated through agreements entered into with various third-party advertising agencies, and we rely on these agencies for sales to, and collection of payment from, our advertisers. We do not have long-term cooperation agreements or exclusive arrangements with these agencies and they may elect to direct business opportunities to other advertising service providers, including our competitors. If we fail to retain and enhance the business relationships with these third-party advertising agencies, we may suffer from a loss of advertisers and our business, financial condition and results of operations may be materially and adversely affected.

In our internet finance business, we work with third parties who provide us data concerning creditworthiness, identification, student status and other relevant information that we use to review and select qualified borrowers. If this information becomes more expensive to access or becomes unavailable, our costs would increase or we may need to find alternative sources. If this information is outdated, incomplete or inaccurate, we might incorrectly judge borrowers' actual creditworthiness, and we might approve unqualified borrowers or disapprove qualified borrowers. As a result, we may inaccurately price the loans that we facilitated and our control over our default rates would be adversely affected, which would harm our business.

To strengthen risk control, we also outsource some functions of our business to third parties. They verify the authenticity of the materials borrowers provide, perform due diligence on target companies, do examinations after providing loans, do asset supervision and collect late payments. These partners may not perform as expected under our agreements with them, and it is difficult for us to monitor and supervise their performance. If they increase the price they charge to work with us, our costs would increase or we would have to look for other partners. There is also a risk of unclear allocation of responsibilities, which could cause inefficiencies and delays. If we cannot maintain effective

relationships with these third parties, our business will also be harmed.

If the third parties on whom we rely fail to provide their services effectively, terminate their service or license agreements or discontinue their relationships with us, we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material adverse effect on our business, financial condition and results of operations. Certain third-party service providers could be difficult and costly to replace, and any disruption to the provision of these services to us may have a material adverse effect on our business, financial condition and results of operations.

Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China.

Almost all access to the internet in China 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. Moreover, we primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our websites. We cannot assure you that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

Changes in the policies, guidelines or practice of mobile network operators or the PRC government with respect to mobile applications and other content may negatively affect our business operations for mobile applications.

We rely on PRC mobile network operators, directly and indirectly, to distribute our products to our users. The mobile telecommunication business in China is highly concentrated and major mobile network operators, such as China Mobile, may from time to time issue new policies or change their business practices, requesting or stating their preferences for certain actions to be taken by all mobile service providers using their networks. In addition, the PRC government may also implement new policies or change existing policies regulating the mobile telecommunication business. Such new policies or changes may negatively affect our business operations for mobile applications.

Problems with our network infrastructure or information technology systems could impair our ability to provide services.

Our ability to provide our users with a high quality online experience depends on the continuing operation and scalability of our network infrastructure and information technology systems. We face a number of risks in this area. For example, our systems are potentially vulnerable to damage or interruption as a result of natural disasters, power loss, telecommunications failures and similar events. We may also encounter problems when upgrading our systems or services and undetected programming errors could adversely affect the performance of the software we use to provide our services. In addition, we rely on servers, data centers and other network facilities provided by third parties, and the limited availability of third-party providers with sufficient capacity to house additional network facilities and broadband capacity in China may lead to higher costs or limit our ability to offer certain services or expand our business.

These and other events have led and may in the future lead to interruptions, decreases in connection speed, degradation of our services or the permanent loss of user data and uploaded content. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party service providers, our reputation or relationships with our users or advertisers may be damaged and our users and advertisers may switch to our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

Computer malware, viruses, hacking and phishing attacks, and spamming could harm our business and results of operations.

Computer malware, viruses, and computer hacking and phishing attacks have become more prevalent in our industry and may occur on our systems in the future. For example, in December 2011, through hacking a third-party CDN provider, a computer hacker was able to access the data of over six million internet users from a number of major internet websites in China, including our website. We responded to this incident by notifying our users of the incident and advising them to change their log-in details. Because the techniques used by hackers to access or sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. Any failure to maintain performance, reliability, security, and availability of our products and technical infrastructure to the satisfaction of our users may harm our reputation and our ability to retain existing users and attract new users. Our business could be subject to significant disruption and our results of operations may be affected.

In addition, spammers attempt to use our products to send targeted and untargeted spam messages to users, which may embarrass or annoy users and make our internet platform less user-friendly. We cannot be certain that the technologies and employees that we have to attempt to defeat spamming attacks will be able to eliminate all spam messages from being sent on our platform. As a result of spamming activities, our users may use our internet platform less or stop using our products altogether.

We have been and may continue to be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our websites or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.

Internet, technology and media companies are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes more common in China in resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims. For example, in November 2014, a digital entertainment copyright agency company filed a complaint with Apple's Appstore claiming copyright infringement of their clients' musical works by *renren.com's* Renren Radio service. Pursuant to Apple's dispute resolution policy, our Renren Mobile App was temporarily removed from Apple's Appstore, and it was restored after our timely response to the claimant resolved the dispute.

Intellectual property claims and litigation are expensive and time-consuming to investigate and defend, and may divert resources and management attention from the operation of our business. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our websites to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

We may be subject to patent infringement claims with respect to our SNS platform.

Our technologies and business methods, including those relating to our SNS platform, may be subject to third-party claims or rights that limit or prevent their use. Certain U.S.-based companies have been granted patents in the United States relating to SNS platforms and similar business methods and related technologies. While we believe that we are not subject to U.S. patent laws since we conduct our business operations outside of the United States, we cannot assure you that U.S. patent laws would not be applicable to our business operations, or that holders of patents relating to a SNS platform would not seek to enforce such patents against us in the United States or China. For example, we are aware that Facebook applied for a number of patents relating to its social networking system and methodologies, platform and other related technologies. In addition, many parties are actively developing and seeking protection for internet-related technologies, including seeking patent protection in China. There may be patents issued or pending that are held by others that relate to certain aspects of our technologies, products, business methods or services. Although we do not believe we infringe third-party patents, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and involve uncertainty. Any patent infringement claims, regardless of their merits, could be time-consuming and costly to us. If we were sued for patent infringement claims with respect to our SNS platform and were found to infringe such patents and were not able to adopt non-infringing technologies, we may be severely limited in our ability to operate our SNS platform, which would have a material adverse effect on our results of operations and prospects.

Our own intellectual property rights may be infringed, which could materially and adversely affect our business and results of operations.

We rely on a combination of monitoring and enforcement of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and procedures, to protect our intellectual property rights. Despite our precautions, third parties may obtain and make unauthorized use of our intellectual property, which includes trademarks related to our brands, products and services, patent applications, registered domain names, copyrights in software and creative content, trade secrets and other intellectual property rights and licenses. Historically, the legal system and courts of the PRC have not protected intellectual property rights to the same extent as the legal system and courts of the United States, and companies operating in the PRC continue to face an increased risk of intellectual property infringement. Furthermore, the validity, application, enforceability and scope of protection of intellectual property rights for many internet-related activities, such as internet commercial methods patents, are uncertain and still evolving in China and abroad, which may make it more difficult for us to protect our intellectual property and could have a material adverse effect on our business, financial condition and results of operations.

We have granted, and may continue to grant, share options and restricted shares under our equity incentive plans, which may result in increased share-based compensation expenses.

We have adopted five equity incentive plans for Renren Inc. in 2006, 2008, 2009, 2011 and 2016. As of February 29, 2016, options to purchase a total of 148,310,010 ordinary shares of Renren Inc. were outstanding. For the years ended December 31, 2013, 2014 and 2015, we recorded US\$16.1 million, US\$23.6 million and US\$28.2 million, respectively, in share-based compensation expenses. As of December 31, 2015, we had US\$35.7 million of unrecognized share-based compensation expenses relating to share options, which are expected to be recognized over a weighted average vesting period of 2.23 years, and US\$6.9 million of unrecognized share-based compensation expenses relating to non-vested restricted shares, which are expected to be recognized over a weighted average vesting period of 3.03 years. We believe the granting of share options and restricted shares is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share options and restricted shares to key personnel and employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Our quarterly revenues and operating results may fluctuate, which makes our results of operations difficult to predict and may cause our quarterly results of operations to fall short of expectations.

Our quarterly revenues and operating results have fluctuated in the past and may continue to fluctuate depending upon a number of factors, many of which are out of our control. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual revenues and costs and expenses as a percentage of our revenues may be significantly different from our historical or projected rates. Our operating results in future quarters may fall below expectations. Any of these events could cause the price of our ADSs to fall. Other factors that may affect our financial results include, among others:

- global economic conditions;
- our ability to enhance user experience and maintain and increase user traffic;
- our ability to attract and retain advertisers or recognize online advertising revenues in a given quarter;
- the growth of the social networking industry in China;
- our ability to monetize the mobile versions of our applications and services;

- our ability to develop internet finance services;
- the growth of the internet finance industry in China;
- competition in our industries in China;
- changes in government policies or regulations, or their enforcement;
- geopolitical events or natural disasters such as war, threat of war, earthquake or epidemics; and
- losses from or impairment of our equity method investments.
- decreases in market value or impairment of our marketable securities.

Seasonal fluctuations and industry cyclicality have affected, and are likely to continue to affect, our online advertising services. We generally generate less revenue from online advertising during national holidays in China, in particular during the first quarter of each year due to the slowdown of business during the Chinese New Year holiday season that lasts approximately two weeks. To a lesser extent, we also typically generate less revenues from online advertising during the fourth quarter of each year. This seasonality in revenues is due to the fact that a large concentration of our advertising customers are in the consumer sector, with many of them purchasing more of our advertising services in the spring and summer seasons due to the fact that certain of their major products sell better during those seasons. In addition, advertising spending in China has historically been cyclical, reflecting overall economic conditions as well as the budgeting and buying patterns of our advertisers. We expect that seasonal fluctuations and cyclicality will continue to cause our quarterly and annual operating results to fluctuate.

We have limited business insurance coverage.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in more developed economies. We do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured occurrence of business disruption may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

Risks Related to Our Corporate Structure and the Regulation of our Business

If the PRC government finds that the agreements that establish the structure for operating our services in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in internet businesses, including the provision of social networking services and online advertising services. Specifically, foreign ownership of internet service providers or other value-added telecommunication service providers may not exceed 50%. In addition, according to the Several Opinions on the Introduction of Foreign Investment in the Cultural Industry promulgated by the Ministry of Culture, the State Administration of Radio, Film and Television, or the SARFT, the General Administration of Press and Publication, or the GAPP, the National Development and Reform Commission and the Ministry of Commerce in June 2005, foreign investors are prohibited from investing in or operating any internet cultural operating entities.

We conduct our operations in China principally through a set of contractual arrangements between our wholly owned PRC subsidiary, Qianxiang Shiji Technology Development (Beijing) Co., Ltd., or Qianxiang Shiji, and its consolidated affiliated entity, Beijing Qianxiang Tiancheng Technology Development Co., Ltd., or Qianxiang Tiancheng, and Qianxiang Tiancheng's shareholders. Qianxiang Tiancheng's wholly owned subsidiary includes Beijing Qianxiang Wangjing Technology Development Co., Ltd., or Qianxiang Wangjing. Qianxiang Wangjing is the operator of our *renren.com* website and holds the licenses and permits necessary to conduct our SNS and online advertising business in China.

Our contractual arrangements with Qianxiang Tiancheng and its shareholders enable us to exercise effective control over Qianxiang Tiancheng and its subsidiaries, and hence we treat Qianxiang Tiancheng, Qianxiang Wangjing and Qianxiang Changda as our consolidated affiliated entities and consolidate their results. For a detailed discussion of these contractual arrangements, see "Item 4.C—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities.

Based on the advice of TransAsia Lawyers, our PRC legal counsel, the corporate structure of our consolidated affiliated entities and our subsidiaries in China comply with all existing PRC laws and regulations. However, as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, we cannot assure you that the PRC government would agree that our corporate structure or any of the above contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting

these laws and regulations. If the PRC government determines that we do not comply with applicable laws and regulations, it could:

- revoke the business and operating licenses of our subsidiaries, our consolidated affiliated entities and their subsidiaries;
- discontinue or restrict any related-party transactions between our subsidiaries, our consolidated affiliated entities and their subsidiaries;
- impose fines on us or impose additional conditions or requirements on us with which we may not be able to comply;
 - require us to revise our ownership structure or restructure our operations; and
- restrict or prohibit our use of the proceeds of any additional public offering to finance our business and operations in China.

The imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business. If any of these penalties results in our inability to direct the activities of our consolidated affiliated entities and the subsidiaries that most significantly impact their economic performance, or results in our failure to receive the economic benefits from our consolidated affiliated entities and their subsidiaries, we may not be able to consolidate the consolidated affiliated entities and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. In the fiscal years ended December 31, 2013, 2014 and 2015, our consolidated affiliated entities and their subsidiaries contributed in the aggregate 98.8%, 98.6% and 94.9%, respectively, of our consolidated net revenues.

We rely on contractual arrangements with consolidated affiliated entities for our China operations, which may not be as effective in providing operational control as direct ownership. Any failure by our affiliated entities or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business and financial condition.

We have relied and expect to continue to rely on contractual arrangements with our affiliated entities to operate our businesses in China. For a description of these contractual arrangements, see “Item 4.C—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities.” These contractual arrangements may not be as effective in providing us with control over these affiliated entities as direct ownership. If we had direct ownership of our consolidated affiliated entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of each of these entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, we rely on the performance by our consolidated affiliated entities and their respective shareholders of their obligations under their respective contracts to exercise control over our affiliated entities. Therefore, our contractual arrangements with our affiliated entities may not be as effective in ensuring our control over our China operations as direct ownership would be.

If our consolidated affiliated entities or their respective shareholders fail to perform their respective obligations under the contractual arrangements of which they are a party, we may have to incur substantial costs and resources to enforce our rights under the contracts, and rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. For example, if the shareholders of our consolidated affiliated entities were to refuse to transfer their equity interests in our consolidated affiliated entities to us or our designee when we exercise the call option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal action to compel them to perform their respective contractual obligations.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our affiliated entities, and our ability to conduct our business may be severely and negatively affected.

Contractual arrangements our subsidiaries have entered into with our consolidated affiliated entities may be subject to scrutiny by the PRC tax authorities, and a finding that we or our consolidated affiliated entities owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions between related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between our wholly owned subsidiaries in China and our consolidated affiliated entities in China do not represent arm's-length prices and consequently adjust our consolidated affiliated entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our consolidated affiliated entities for PRC tax purposes, which could in turn increase their respective tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties on our consolidated affiliated entities for any unpaid taxes. Our consolidated net income may be materially and adversely affected if our affiliated entities' tax liabilities increase or if they are subject to late payment fees or other penalties.

The shareholders of our consolidated affiliated entities may have potential conflicts of interest with us, which may materially and adversely affect our business.

The shareholders of our consolidated affiliated entities include Ms. Jing Yang and Mr. James Jian Liu, who are the shareholders of Qianxiang Tiancheng. Ms. Yang is the wife of Mr. Joseph Chen, our founder, chairman and chief executive officer. Mr. Liu is our executive director and chief operating officer.

Conflicts of interest may arise between the dual role of Mr. Liu as a director and officer of our company and as a shareholder of our consolidated affiliated entity Qianxiang Tiancheng. Conflicts of interest may also arise between the interests of Ms. Yang as a shareholder of Qianxiang Tiancheng and as the wife of our founder and chief executive officer. Furthermore, if Ms. Yang experiences domestic conflict with Mr. Chen, she may have little or no incentive to act in the interest of our company, and she may not perform her obligations under the contractual arrangements she has entered into with Qianxiang Shiji.

Officers of our company owe a duty of loyalty and care to our company and to our shareholders as a whole under Cayman Islands law. We cannot assure you, however, that when conflicts arise, shareholders of our consolidated affiliated entities will act in the best interests of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

Substantial uncertainties exist with respect to the enactment timetable, final scope, interpretation and implementation of the draft PRC Foreign Investment Law published for public comments and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Ministry of Commerce solicited comments on this draft in 2015, but no new draft has been published since then. As such, substantial uncertainties exist with respect to its enactment timetable, final scope, interpretation and implementation. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered a foreign-invested enterprise, or an FIE. The draft Foreign Investment Law specifically provides that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the Ministry of Commerce, treated as a PRC domestic investor provided that the entity is “controlled” by PRC entities and/or citizens. In this connection, “control” is broadly defined in the draft law to cover the following summarized categories: (i) holding 50% of more of the voting rights of the subject entity; (ii) holding less than 50% of the voting rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to material influence on the board, the shareholders’ meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations. Once an entity is determined to be an FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in a “negative list,” to be separately issued by the State Counsel later, if the FIE is engaged in the industry listed in the negative list. Unless the underlying business of the FIE falls within the negative list, which calls for market entry clearance by the Ministry of Commerce, prior approval from the government authorities as mandated by the existing foreign investment legal regime would no longer be required for establishment of the FIE.

The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “—If the PRC government finds that the agreements that establish the structure for operating our services in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.” and “Item 4.C—Information on the Company—Organizational Structure.” Under the draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. Therefore, for any companies with a VIE structure in an industry category that is on the “negative list,” the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC companies or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal. There are uncertainties as to whether the Foreign Investment Law, once it is enacted, will have retrospective effect on existing VIE structures such as ours, or whether it will grant real and full grandfathering and grace periods for such existing VIE structures.

It is likely that we would not be considered as ultimately controlled by Chinese parties, as our U.S. record shareholders hold over 50% of our total voting power. The draft Foreign Investment Law has not taken a position on what actions will be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by Chinese parties, while it is soliciting comments from the public on this point. Moreover, it is uncertain whether the internet industry, in which our variable interest entities operate, will be subject to the foreign investment restrictions or prohibitions set forth in the “negative list” to be issued. The value-added telecommunication services, which we conduct through our VIEs, is subject to foreign investment restrictions set forth in the Catalogue for the Guidance of Foreign Investment Industries issued by the National Development and Reform Commission and the Ministry of Commerce in March, 2015, or the Catalogue. It is unclear whether the new “negative list” will be different from the Catalogue. If the enacted version of the Foreign Investment Law and the final “negative list” mandate further actions, such as Ministry of Commerce market entry clearance or certain restructuring of our corporate structure and operations, to be completed by companies with existing VIE structure like us, we face substantial uncertainties as to whether these actions can be timely completed, or at all, and our business and financial condition may be materially and adversely affected.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation report and investment amendment report that are required at each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we may rely on dividends and other distributions on equity to be paid by our wholly owned PRC subsidiaries, particularly Qianxiang Shiji, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If our wholly owned PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, wholly foreign-owned enterprises in the PRC such as Qianxiang Shiji may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise such as Qianxiang Shiji is required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of their registered capital. At their discretion, they may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Any limitation on the ability of our wholly owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See “—Risks Related to Doing Business in China—Discontinuation of any of the preferential tax treatments or imposition of any additional taxes could adversely affect our financial condition and results of operations.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using funds that we hold offshore to make loans to our PRC subsidiaries and consolidated affiliated entities or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and consolidated affiliated entities. We may make loans to our PRC subsidiaries and consolidated affiliated entities, or we may make additional capital contributions to our PRC subsidiaries.

Any loans by us to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our wholly owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE. If we decide to finance our wholly owned PRC subsidiaries by means of capital contributions, these capital contributions must be approved by the Ministry of Commerce or its local counterpart. Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to our consolidated affiliated entities, which are PRC domestic companies. Further, we are not likely to finance the activities of our consolidated affiliated entities by means of capital contributions due to regulatory restrictions relating to foreign investment in PRC domestic enterprises engaged in social networking services, online advertising and related businesses.

SAFE promulgated a circular in November 2010, known as Circular No. 59, which tightens the examination of the authenticity of settlement of net proceeds from our initial public offering and requires that the settlement of net proceeds shall be in accordance with the description in the prospectus included in our registration statement on Form F-1 (Registration No. 333-173548), which was filed with the SEC in connection with our initial public offering. In March 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the “conversion-at-will” system for foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will system for foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the

review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its Renminbi registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, foreign-invested enterprises like our PRC subsidiaries are still not allowed to extend intercompany loans to our VIEs. In addition, as SAFE Circular 19 was promulgated recently, there remain substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or consolidated affiliated entities or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use funds we hold offshore to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Changes in government policies or regulations may have material and adverse impact on our business, financial condition and results of operations.

Our real name social networking services are subject to strict government regulations in the PRC. Under the current PRC regulatory scheme, a number of regulatory agencies, including the MIIT, the Ministry of Culture, the State Administration for Press, Publication, Radio, Film and Television and the State Council Information Office jointly regulate all major aspects of the internet industry, including the SNS industry. Operators must obtain various government approvals and licenses prior to the commencement of SNS operations, including an internet content provider license, or ICP license, an online culture operating permit, and a value-added telecommunication services license.

We have obtained a value-added telecommunication service license, an ICP license, and an online culture operating permit for online advertisements on our SNS website. If the PRC government promulgates new laws and regulations that require additional licenses or imposes additional restrictions on the operation of SNS and/or other services we plan to launch, to the extent we may not be able to obtain these licenses, our results of operations may be materially and adversely affected. In addition, the PRC government may promulgate regulations restricting the types and content of advertisements that may be transmitted online, which could have a direct adverse impact on our business.

Compliance with the laws or regulations governing virtual currency may result in us having to obtain additional approvals or licenses or change our current business model.

In October 2007, we launched “Renren Beans,” a virtual currency that can be used to purchase any of our IVAS or other paid services and applications for users, and in March 2016, we also launched “Renren Points,” a virtual currency that can be used to purchase any of our live streaming services. Due to the relatively short history of virtual currency in China, the regulatory framework governing the industry is still under development. Currently, the PRC government has not promulgated any specific rules, laws or regulations to directly regulate virtual currency, except for online game virtual currency. The Notice on the Strengthening of the Administration on Online Game Virtual Currency, jointly issued by the Ministry of Culture and the Ministry of Commerce in 2009, broadly defined virtual currency as a type of virtual exchange instrument issued by internet game operation enterprises, purchased directly or indirectly by the game users by exchanging legal currency at a certain exchange rate, saved outside the game programs, stored in servers provided by the internet game operation enterprises in electronic record format and represented by specific numeric units. Virtual currency is used to exchange internet game services provided by the issuing enterprise for a designated extent and time, and is represented by several forms, such as online prepaid game cards, prepaid amounts or internet game points, and does not include game props obtained from playing online games. In 2009, the Ministry of Culture further promulgated the Filing Guidelines on Online Game Virtual Currency Issuing Enterprises and Online Game Virtual Currency Trading Enterprises, which specifically defines “issuing enterprise” and “trading enterprise” and stipulates that a single enterprise may not operate both types of business. There are uncertainties as to how these online game virtual currency regulations would apply to Renren Beans as well as to Renren Points. Further, although we believe we do not offer online game virtual currency trading services, we cannot assure you that the PRC

regulatory authorities will not take a view contrary to ours, in which case these regulations could have an adverse effect on our “Renren Beans” and “Renren Points” related revenues.

There are substantial uncertainties with respect to the enactment, final content, interpretation and implementation of the Draft Cyber Security Law and how it may impact our business operations.

In July 2015, the Standing Committee of the National People’s Congress of China issued the National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard sovereignty, security and development interests of cyberspace in the state, and the state shall establish a national security review and supervision system to review including foreign investment, key technologies, internet and information technology products and services and other important activities that are likely to impact the national security of China.

In July 2015, the Standing Committee of the National People's Congress of China also released the Draft Cyber Security Law to solicit public comments. Once adopted, the Cyber Security Law will become the first Chinese law that exclusively regulates cyber security. The Draft Cyber Security Law sets high standards for the operational security of facilities deemed to be part of PRC's "key information infrastructure facilities," and includes the integration of national security examinations under certain circumstances. Among which, "key information infrastructure facilities" includes networks and systems owned or managed by network service providers with a significant number of users. The Draft Cyber Security Law provides that key information infrastructure facilities operators must set up specialized internal security management divisions and assign appropriate person(s) responsible for security management. Additionally, these operators must conduct background checks on the person(s) responsible for security management and on personnel in critical positions. It further provides that when operators of key information infrastructure facilities purchase network products or services that may affect or involve national security, the operator must pass a security examination jointly arranged by the national network and information authority and the relevant government departments and the national security examination process under the National Security Law will be triggered. The operators of key information infrastructure facilities must store important data collected and generated, including citizens' personal information, exclusively within the territory of the People's Republic of China. The Draft Cyber Security Law also sets more stringent requirements for network operators. The Draft Cyber Security Law establishes censorship duties for network operators, including digital information distribution service providers and application software download service providers. When these operators notice a prohibited publication, or the transmission of illicit information, they must promptly stop transmitting the information and take measures necessary to prevent the spread of that information. Operators must maintain a record of these incidents when they occur and report them to the competent authorities. The Draft Cyber Security Law provides relevant subjects with relevant legal authorities who are empowered to take measures to cut off any transmission(s) of prohibited information on communication networks. Upon finding prohibited information, those authorities will require that the network operators stop the transmission and take the necessary measures to remove any prohibited content. Where the above prohibited information comes from outside the territory of China, these authorities may request that all related institutions to take necessary measures to stop the flow of prohibited information.

There are substantial uncertainties with respect to the enactment timetable, final content, interpretation and implementation of the Draft Cyber Security Law. The Draft Cyber Security Law, if enacted as proposed, could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

If we are required to pay U.S. taxes, the value of your investment in our company could be substantially reduced.

If, pursuant to a plan or a series of related transactions, a non-United States corporation, such as our company, acquires substantially all of the assets of a United States corporation, and after the acquisition 80% or more of the stock, by vote or value, of the non-United States corporation, excluding stock issued in a public offering related to the acquisition, is owned by former shareholders of the United States corporation by reason of their ownership of the United States corporation, the non-United States corporation will be considered a United States corporation for United States federal income tax purposes. Based on our analysis of the facts related to our corporate restructuring in 2005 and 2006, we do not believe that we should be treated as a United States corporation for United States federal income

tax purposes. However, as there is no direct authority on how the relevant rules of the Internal Revenue Code might apply to us, our company's conclusion is not free from doubt. Therefore, our conclusion may be challenged by the United States tax authorities and a finding that we owe additional United States taxes could substantially reduce the value of your investment in our company. You are urged to consult your tax advisor concerning the income tax consequences of purchasing, holding or disposing of ADSs or ordinary shares if we were to be treated as a United States domestic corporation for United States federal income tax purposes.

We might not be able to obtain an Audio/Video Program Transmission License and an Online Culture Operating Permit for Woxiu and our mobile live streaming services.

In December 2014, a subsidiary of Sohu.com Inc. acquired 100% of the equity interest of Guangzhou Qianjun Internet Technology Co., Ltd, or Qianjun Technology, a wholly-owned subsidiary of ours that possesses an Audio/Video Program Transmission License. We have started to apply for an Audio/Video Program Transmission License through Beijing Wole Shijie Information Technology Co., Ltd., a wholly-owned subsidiary of ours. In addition, the mobile live streaming features that we have been added to our app are rapidly becoming popular, and we have also started to apply for an update to include additional content on Qianxiang Wangjing's Online Culture Operating Permit in order to cover these services. As of the date of this annual report, these applications have not been approved yet. If we fail to obtain an Audio/Video Program Transmission License or fail to update the Online Culture Operating Permit, some audio/video content generated and shared by our users of *renren.com* and *woxiu.com* may not be allowed to be transmitted over the internet and our revenue and financial performance may be significantly impacted.

Risks Related to Doing Business in China

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. The PRC

government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past few years, the PRC government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and operating results. For example, in the event of unanticipated adverse changes in the economy, the credit quality of the customer of our internet finance business may materially decrease, and our results of operations could be materially adversely affected.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our PRC subsidiaries and consolidated affiliated entities in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are foreign-invested enterprises and are subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. For example, China enacted an Anti-Monopoly Law in 2008. Because the Anti-Monopoly Law and related regulations have been in effect for only a few years, there have been very few court rulings or judicial or administrative interpretations on certain key concepts used in the law. As a result, there is uncertainty how the enforcement and interpretation of the new Anti-Monopoly Law may affect our business and operations.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, which may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet business and companies.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be violations of applicable laws and regulations. Issues, risks and uncertainties relating to PRC government regulation of the internet industry include, but are not limited to, the following:

We only have contractual control over our websites. We do not own the websites due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet content provision services. This may significantly disrupt our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other harmful effects on us.

There are uncertainties relating to the regulation of the internet industry in China, including evolving licensing practices. This means that permits, licenses or operations at some of our companies may be subject to challenge, or we have failed to obtain permits or licenses that applicable regulators may deem necessary for our operations or we may not be able to obtain or renew certain permits or licenses to maintain their validity. The major permits and

licenses that could be involved include the ICP license, the online culture operating permit, the value-added telecommunication services operation permit and the internet publishing license.

New laws and regulations may be promulgated that will regulate internet activities, including social networking services and online advertising businesses. If these new laws and regulations are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations at the time they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.

In 2006, the MIIT, the predecessor of which is the Ministry of Information Industry, issued the Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication services providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. According to this notice, either the holder of a value-added telecommunication services operation permit or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Currently, our PRC consolidated affiliated entities own the related domain names and trademarks and hold the ICP licenses necessary to conduct our operations for websites in China.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain any new licenses if required by any new laws or regulations. There are also risks that we may be found to violate the existing or future laws and regulations given the uncertainty and complexity of China's regulation of the internet industry.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

Substantially all of our revenues and costs are denominated in RMB. The value of the RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. Therefore, Qianxiang Shiji is able to pay dividends in foreign currencies to us without prior approval from SAFE. However, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

Certain regulations in the PRC may make it more difficult for us to pursue growth through acquisitions.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective in 2006 and was amended in 2009, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. The M&A Rule established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. These rules require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings issued by the State Council in 2008 are triggered. These rules also prohibit any transactions attempting to bypass such security review, including by controlling entities through contractual arrangements. We believe that our business is not in an industry related to national security. However, we cannot assure you that the Ministry of Culture or other government agencies will not publish interpretations contrary to our understanding or broaden the scope of such security review in the future.

We may grow our business in part by directly acquiring complementary businesses in China. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to the establishment of offshore holding companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

SAFE has promulgated several regulations, including the Notice on Relevant Issues Concerning Foreign Exchange Control of Domestic Residents' Overseas Investment and Financing and Roundtrip Investment through Offshore Special Purpose Vehicles, or SAFE Circular 37, issued in 2014, which replaced the former Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (generally known as SAFE Circular 75) promulgated by SAFE in October 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, which is referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease of capital contributed by PRC residents, share transfer or exchange, merger, division or other material events. In the event that a PRC resident holding interests in a special purpose vehicle fails to complete the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose

vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Mr. Joseph Chen, our founder, chairman and chief executive officer, is not a PRC citizen, but resides in China and has established and maintains a major shareholding in our company. Based on our oral inquiry with the relevant local branch of SAFE, neither the requirements for registration under SAFE Circular 75 nor the requirements for registration under SAFE Circular 37 are applicable to Mr. Chen.

Mr. James Jian Liu, our executive director and chief operating officer, and a few other senior management personnel of our company, all of whom are PRC residents, became shareholders of our company as a result of the exercise of employee share options. Based on our inquiry with the relevant local branch of SAFE, any application to such local SAFE branch with respect to the registration of Mr. Liu and the other PRC resident shareholders' holdings of shares in our offshore holding company under SAFE Circular 75 or SAFE Circular 37 and related rules will not be officially accepted or examined because they became shareholders of our offshore holding company as a result of their exercise of employee share options.

However, we cannot conclude that SAFE or its local branch responsible for our PRC subsidiary's foreign exchange registrations will not later alter their position on and interpretation of the applicability of these foreign exchange regulations to Mr. Chen, Mr. Liu or the other PRC resident shareholders of our company. In the event that the registration procedures set forth in these foreign exchange regulations becomes applicable to Mr. Chen, Mr. Liu or any of the PRC resident shareholders of our company, we will urge these individuals to file necessary registrations and amendments as required under SAFE Circular 37 and related rules. However, we cannot assure you that all of these individuals can successfully file or update any applicable registration or obtain the necessary approval required by these foreign exchange regulations. We can provide no assurance that we will in the future continue to be informed of the identities of all PRC residents holding direct or indirect interests in our company. The failure or inability of such individuals to comply with the registration procedures set forth in these regulations may subject us to fines or legal sanctions, restrictions on our cross-border investment activities or our PRC subsidiary's ability to distribute dividends to, or obtain foreign-exchange-dominated loans from, our company, or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategy. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In 2006, the People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, which set forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account. In 2007, SAFE issued implementing rules for the Administrative Measures of Foreign Exchange Matters for Individuals, which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee share ownership plans or share option plans of an overseas publicly listed company. In 2007, also SAFE promulgated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rules.

In February 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies, or the Stock Option Notice. This

Stock Option Notice replaced the previous Stock Option Rules. The Stock Option Notice simplifies the requirements and procedures for the registration of stock incentive plan participants, especially in respect of the required application documents and the absence of strict requirements on offshore and onshore custodian banks, as were stipulated in the earlier Stock Option Rules. Under these rules, for PRC resident individuals who participate in stock incentive plans of overseas publicly listed companies, which includes employee stock ownership plans, stock option plans and other incentive plans permitted by relevant laws and regulations, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must, among other things, file, on behalf of such resident, an application with SAFE or its local counterpart to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock holding or share option exercises as PRC residents may not directly use overseas funds to purchase shares or exercise share options. In addition, within three months after any substantial changes to any such stock incentive plan, including for example any changes due to merger or acquisition or changes to the domestic or overseas custodian agent, the domestic agent must update the registration with SAFE.

As our company became listed on the New York Stock Exchange, or the NYSE, in May 2011, we and our PRC citizen employees who participate in an employee share ownership plan or a share option plan are subject to these regulations. If we or our PRC optionholders fail to comply with these regulations, we or our PRC optionholders may be subject to fines and other legal or administrative sanctions. See “Item 4.B—Business Overview—Regulation—Regulations on Employee Stock Options Plans.”

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the State Administration of Taxation in 2009 with retroactive effect from January 1, 2008, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposing of the equity interests of an overseas holding company without a reasonable commercial purpose then it may be subject to PRC withholding tax at a rate of up to 10% from gains derived from this indirect transfer.

Although the SAT issued the Notice on Several Issues on the Administration of Enterprise Income Tax of Non-PRC Resident Enterprises in 2011, or SAT Circular 24, to provide further clarification on how SAT Circular 698 and its relevant provisions should be implemented, there remain uncertainties as to how “reasonable commercial purpose” is defined or determined or whether transactions conducted as part of an internal restructuring may be immune to re-characterization. In February 2015, the State Administration of Taxation issued SAT Notice on the Collection of Corporate Income Tax by Indirect Transfer of Assets by Non-Resident Companies, or SAT Circular 7, which attempts to clarify the meaning of “reasonable commercial purpose” and abolishes certain clauses of both Circular 698 and Circular 24. SAT Circular 7 also expands the concept of indirect transfer from equity interests to movable and immovable property in China and provides safe harbor rules for the public trading of shares in a listed company holding taxable China assets and for indirect transfers resulting from a corporate restructuring. Further, SAT Notice 7 replaces the compulsory reporting requirement set forth in SAT Circular 698 with a voluntary reporting regime. SAT Circular 7 provides that, where an indirect transfer occurs, both parties to the indirect transfer must submit the relevant documents to the competent tax authority for tax filing purposes, and enterprise income tax will be payable after the share transfer agreement comes into effect and the registration of the share transfers is completed. Indirect transfers occurring before SAT Circular 7 but for which tax matters have not been resolved will be governed by SAT Circular 7.

There are still uncertainties as to the interpretation and implementation of SAT Notice 7. The PRC tax authorities have discretions under SAT Circular 698 and SAT Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investments. We may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a non-resident enterprise under the PRC Enterprise Income Tax Law and if the PRC tax authorities make adjustments to the taxable income of these transactions under Circular 698 and SAT Notice 7, our income tax expenses associated with such potential acquisitions will increase, which may adversely affect our financial condition and results of operations.

Imposition of any additional taxes could adversely affect our financial condition and results of operations.

Under the Enterprise Income Tax Law and its implementation rules, both of which became effective on January 1, 2008, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” The State Administration of Taxation 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, or SAT Circular 82, in 2009. SAT 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. See “Item 5—Operating and Financial Review and Prospects—Taxation—PRC.” Although SAT Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. Although we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises, it is possible that the PRC tax authorities could reach a different conclusion. In such case, we may be considered a resident enterprise and may therefore be subject to enterprise income tax at a rate of 25% on our global income. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiaries, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Pursuant to the Enterprise Income Tax Law and its implementation rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign investors, which are non-PRC tax resident enterprises without an establishment in China, or whose income has no connection with their institutions and establishments inside China, are subject to withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We are a Cayman Islands holding company and we conduct substantially all of our operations in China through contractual arrangements between our wholly owned PRC subsidiaries and our consolidated affiliated entities. As long as our offshore holding companies are considered non-PRC resident enterprises, dividends that they respectively receive from our PRC subsidiaries may be subject to withholding tax at a rate of 10%. See "Item 5—Operating and Financial Review and Prospects—Taxation—PRC."

As uncertainties remain regarding the interpretation and implementation of the Enterprise Income Tax Law and its implementation rules, we cannot assure you that if we are regarded as a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax at a rate of up to 10%. Similarly, any gain recognized by such non-PRC shareholders or ADS holders on the sale of shares or ADSs, as applicable, may also be subject to PRC withholding tax. If we are required under the Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our non-PRC enterprise shareholders and ADS holders, or on gain recognized by such non-PRC shareholders or ADS holders, such investors' investment in our ordinary shares or ADSs may be materially and adversely affected.

The audit report included in this annual report is prepared by auditors who are not inspected by the Public Company Accounting Oversight Board, and, as such, you are deprived of the benefits of such inspection.

The independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the United States Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

If additional remedial measures are imposed on the Big Four PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Starting in 2011 the Chinese affiliates of the “big four” accounting firms (including our independent registered public accounting firm) were affected by a conflict between U.S. and Chinese law. Specifically, for certain U.S.-listed companies operating and audited in mainland China, the SEC and the PCAOB sought to obtain from the Chinese firms access to their audit work papers and related documents. The firms were, however, advised and directed that under China law they could not respond directly to the U.S. regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the China Securities Regulatory Commission, or the CSRC.

In late 2012 this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms (including our independent registered public accounting firm). A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioners had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of a new proceeding against a firm, or in extreme cases the resumption of the current proceeding against all four firms.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, U.S.-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of

the Exchange Act. Such a determination could ultimately lead to the delisting of our ADSs from the NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Risks Related to Our ADSs

There can be no assurance that the proposed going-private transaction will continue to be pursued, approved by our shareholders or successfully consummated. Potential uncertainty involving the proposed going private transaction may adversely affect our business and the market price of our ADSs.

In June 2015, our board of directors received a non-binding proposal letter from Mr. Joseph Chen, the chairman of our board of directors and our chief executive officer, and Mr. James Jian Liu, a member of our board of directors and our chief operating officer, proposing a “going-private” transaction to acquire all of the outstanding ordinary shares not already owned by them for US\$4.20 in cash per ADS. Mr. Chen and Mr. Liu currently beneficially own approximately 33.9% of the ordinary shares in our company, representing approximately 49.6% of the voting power in our company. We have taken no formal action with respect to this non-binding proposal, and there can be no assurance that the going private transaction will continue to be pursued, approved by sufficient affirmative vote or consummated.

The going private transaction, whether or not pursued or consummated, presents a risk of diverting management focus, employee attention and resources from other strategic opportunities and from operational matters. In addition, if we sign any definitive agreement with the buyer group, we may be subject to various restrictions under those agreements on the conduct of our business prior to the completion of the transaction, which may delay or prevent us from undertaking business opportunities that may arise pending completion of the transaction. Also, any development of the transaction, such as entering into or termination of any definitive agreement, may increase volatility of the trading price of our ADSs.

The market price for our ADSs has fluctuated and may continue to be volatile.

The market price for our ADSs has fluctuated significantly since we first listed our ADSs. Since our ADSs became listed on the NYSE on May 4, 2011, the closing prices of our ADSs have ranged from US\$2.39 to US\$18.01 per ADS, and the last reported trading price on May 12, 2016 was US\$2.49 per ADS.

The market price for our ADSs may be highly volatile and subject to wide fluctuations in response to factors including the following:

- regulatory developments in our industry affecting us, our advertisers or our competitors;

- announcements of studies and reports relating to the quality of our services or those of our competitors;

changes in the economic performance or market valuations of other companies that provide SNS, online advertising, social commerce services or internet finance services, or other internet companies;

actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;

- changes in financial estimates by securities research analysts;

- conditions in the SNS and online advertising industries or the internet industry in general;

announcements by us or our competitors of new services, acquisitions, strategic relationships, joint ventures or capital commitments;

- additions to or departures of our senior management;

- fluctuations of exchange rates between the RMB and the U.S. dollar; and

- sales or perceived potential sales of additional ordinary shares or ADSs.

In addition, the stock market in general, and the market prices for internet-related companies and companies with operations in China in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. The securities of some China-based companies that have listed their securities in the United States have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of these Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. Broad market and industry fluctuations may adversely affect our operating performance. Volatility or a lack of positive performance in our ADS price may also adversely affect our ability to retain key employees, most of whom have been granted options or other equity incentives.

Our dual-class voting structure allows our two largest shareholders to significantly influence our actions over important corporate matters, will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

We have a dual-class voting structure which consists of Class A ordinary shares and Class B ordinary shares. Subject to certain exceptions, in respect of matters requiring the votes of shareholders, holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares.

We issued Class A ordinary shares represented by our ADSs in our initial public offering in May 2011. Mr. Joseph Chen, who is our founder, chairman and chief executive officer, and SB Pan Pacific Corporation are our only shareholders who hold Class B ordinary shares. As of February 29, 2016, Mr. Joseph Chen, our founder, chairman and chief executive officer, beneficially owns approximately 18.7% of our outstanding Class A ordinary shares and approximately 55.8% of our outstanding Class B ordinary shares, representing in aggregate 48.4% of our total voting power, and SB Pan Pacific Corporation beneficially owns approximately 37.8% of our outstanding Class A ordinary shares and approximately 44.2% of our outstanding Class B ordinary shares, representing in aggregate 43.0% of our total voting power.

Due in large part to the disparate voting powers attached to the two classes of ordinary shares, Mr. Chen and SB Pan Pacific Corporation have controlling power over matters requiring shareholder approval, subject to certain exceptions. As between Mr. Chen and SB Pan Pacific Corporation, the approvals of SB Pan Pacific Corporation are required for certain important matters relating to our company. See “Item 10. Additional Information—B. Memorandum and Articles of Association—Ordinary Shares—Voting Rights.” This concentration of ownership and voting power in the hands of Mr. Chen and SB Pan Pacific Corporation may also discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders, including those who purchase ADSs. In addition, these persons could divert business opportunities away from us to themselves or others.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Subject to our memorandum and articles of association and certain restrictions under Cayman Islands law, our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. As of February 29, 2016, not including options, we have 1,020,682,149 ordinary shares outstanding comprised of (i) 377,639,094 Class A ordinary shares represented by ADSs, which ADSs are freely transferable without restriction or additional registration under the Securities Act, (ii) 337,654,605 Class A ordinary shares not represented by ADSs, which are available for sale subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act, and (iii) 305,388,450 Class B ordinary shares which, following conversion to Class A ordinary shares by the holder of the Class B ordinary shares, are available for sale subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act.

Certain holders of our ordinary shares have the right to cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline.

You may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.

Except as described in this annual report and in the deposit agreement, dated as of May 4, 2011, by and among our company, Citibank, N.A., as depositary, and the holders and beneficial owners of American depositary shares, holders of our ADSs will not be able to exercise voting rights attaching to the Class A ordinary shares represented by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the Class A ordinary shares represented by the ADSs. Upon receipt of your voting instructions, the depositary will vote the underlying Class A ordinary shares in accordance with these instructions.

Pursuant to our amended and restated memorandum and articles of association, we may convene a shareholders' meeting upon seven calendar days' notice. If we give timely notice to the depositary under the terms of the deposit agreement, which is 30 days' notice, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to instruct the depositary to vote the Class A ordinary shares underlying your ADSs, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if the Class A ordinary shares underlying your ADSs are not voted as you requested. In addition, although you may directly exercise your right to vote by withdrawing the Class A ordinary shares underlying your ADSs, you may not receive sufficient advance notice of an upcoming shareholders' meeting to withdraw the Class A ordinary shares underlying your ADSs to allow you to vote with respect to any specific matter.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings, and you may not receive cash dividends if it is impractical to make them available to you.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depositary will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration

under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement.

You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited because we are incorporated under Cayman Islands law, we conduct substantially all of our operations in China and substantially all of our directors and officers reside outside the United States.

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our PRC subsidiaries and consolidated affiliated entities. Most of our directors and officers reside outside the United States and a substantial portion of the assets of such directors and officers are located outside of the United States. As a result, it may be difficult or impossible for you to effect service of process within the United States upon us or these persons, or to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (a) is given by a foreign court of competent jurisdiction, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final, (d) is not in respect of taxes, a fine or a penalty, and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because such a determination has not yet been made by a court of the Cayman Islands, it is uncertain whether such civil liability judgments from U.S. courts would be enforceable in the Cayman Islands.

Our corporate affairs are governed by our amended and restated memorandum and articles of association, as amended and restated from time to time, and by the Companies Law (2013 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary responsibilities of our directors are to a large extent governed by the common law of the Cayman Islands.

The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which provides persuasive, but not binding, authority. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

As a result, our public shareholders may have more difficulty in protecting their interests through actions against us, our management, our directors or our major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

Our amended and restated memorandum and articles of association contain anti-takeover provisions that could adversely affect the rights of holders of our ordinary shares and ADSs.

Our amended and restated memorandum and articles of association contain certain provisions that could limit the ability of others to acquire control of our company, including a provision that grants authority to our board directors to establish from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series. The provisions could have the effect of depriving our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

We may be a passive foreign investment company for United States federal income tax purposes, which could subject United States investors in the ADSs or ordinary shares to significant adverse United States income tax consequences.

Depending upon the value of our ordinary shares and ADSs and the nature of our assets and income over time, we could be a passive foreign investment company, or PFIC, for United States federal income tax purposes. A non-United States corporation will be treated as a PFIC for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income, or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce passive income or are held for the production of passive income. Passive income is any income that would be foreign personal holding company income under the Internal Revenue Code of 1986, as amended, including, without limitation, dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income, net gains from commodity transactions, net foreign currency gains and income from notional principal contracts.

We believe we were a PFIC for the taxable years ending December 31, 2013, December 31, 2014 and December 31, 2015. Our PFIC status for the current taxable year will not be determinable until after the close of the current taxable year. Because we currently hold, and expect to continue to hold, a substantial amount of cash and other passive assets and, because, as a public company, the value of our assets for this purpose is determined in part by reference to the market prices of our ADSs and outstanding ordinary shares, there can be no assurance that we will not be a PFIC for the current or any future taxable year.

If we are a PFIC for any taxable year in which you hold our ADSs or ordinary shares and you are a U.S. Holder (as defined in “Item 10.E—Additional Information—Taxation—United States Federal Income Tax Considerations—General”), you generally will become subject to increased U.S. federal income tax liabilities and special U.S. federal income tax reporting requirements, unless you make a timely “mark-to-market” election to mitigate some of the applicable consequences. For more information on the U.S. federal income tax consequences to you that would result from our classification as a PFIC, see “Item 10.E Additional Information—Taxation—United States Federal Income Tax

Considerations—Passive Foreign Investment Company Rules.”

Item 4. Information on the Company

A. History and Development of the Company

We began our operations in China in 2002 through Beijing Qianxiang Tiancheng Technology Development Co., Ltd., or Qianxiang Tiancheng, which has subsequently become one of our consolidated affiliated entities through the contractual arrangements described below. CIAC/ChinaInterActiveCorp, or CIAC, was incorporated in August 2005 in the Cayman Islands. CIAC wholly owns Qianxiang Shiji Technology Development (Beijing) Co., Ltd., or Qianxiang Shiji, a company established in Beijing and one of the subsidiaries through which we operate our business in China in reliance on a series of contractual arrangements.

Our current holding company, Renren Inc., was incorporated in February 2006 in the Cayman Islands under our prior name, Oak Pacific Interactive. Through a corporate restructuring in March 2006, CIAC’s shareholders exchanged all of their outstanding ordinary and preferred shares of CIAC for ordinary and preferred shares of Oak Pacific Interactive on a pro rata basis. As a result, Oak Pacific Interactive acquired all of the equity interests in CIAC and CIAC became a wholly owned subsidiary of Oak Pacific Interactive. In December 2010, we changed our corporate name from Oak Pacific Interactive to Renren Inc.

On March 25, 2011, we implemented a ten-for-one share split. Except as otherwise indicated, all information in this annual report concerning share and per share data gives retroactive effect to the ten-for-one share split.

In May 2011, we completed our initial public offering, wherein we issued and sold 50,863,711 ADSs, and certain selling shareholders sold 10,201,289 ADSs, at an initial offering price of US\$14.00 per ADS. On May 4, 2011, our ADSs began trading on the NYSE under the symbol “RENN.” In addition, concurrently with our initial public offering, we sold an aggregate of 23,571,426 Class A ordinary shares to certain unrelated third-party investors in a private placement, at a price of US\$4.67 per Class A ordinary share.

In October 2011, we completed the acquisition of 100% of the equity interest in Wole Inc., a Cayman Islands limited liability company. Wole Inc. operated 56.com, a leading user generated content online video sharing website in China, through a set of contractual arrangements between Wole Inc.’s PRC subsidiary, Wole Technology, and Qianjun Technology.

In March 2013, we completed a corporate restructuring wherein we moved our online games business to Shanghai Renren Games Technology Development Co., Ltd., or Renren Games, a PRC company incorporated in November 2012.

In October 2013, Baidu Holdings Limited, a subsidiary of Baidu, Inc., acquired approximately 59% of the equity interest of Nuomi Holdings Inc., or Nuomi, a wholly-owned subsidiary of ours and a leading provider of group-buying services in China. In January 2014, Baidu Holdings Limited entered into a share purchase agreement with us and Nuomi to acquire all of our remaining equity interest in Nuomi. This transaction was completed on February 28, 2014.

In October 2014, Tianjin Jinhua Culture Development Co., Ltd, a subsidiary of Sohu.com Inc., acquired 100% of the equity interest of Qianjun Technology, a wholly-owned subsidiary of ours and operator of the 56.com website. This transaction was completed on December 1, 2014.

In June 2015, our board of directors received a non-binding proposal letter from Mr. Joseph Chen, the chairman of our board of directors and our chief executive officer, and Mr. James Jian Liu, a member of our board of directors and our chief operating officer, proposing a “going-private” transaction to acquire all of the outstanding ordinary shares in our company not already owned by them for US\$4.20 in cash per ADS. Mr. Chen and Mr. Liu currently beneficially own approximately 33.9% of the ordinary shares in our company, representing approximately 49.6% of the voting power in our company. We have taken no formal action with respect to this non-binding proposal, and there can be no assurance that the going private transaction will continue to be pursued, approved by sufficient affirmative vote or consummated. See “Item 3. Key Information on the Company—Risks Related to Our American Depositary Shares—There

can be no assurance that the proposed going-private transaction will continue to be pursued, approved by our shareholders or successfully consummated. Potential uncertainty involving the proposed going private transaction may adversely affect our business and the market price of our ADSs.”

In November 2015, our board of directors approved the disposition of our online game business. The disposition was subsequently completed in March 2016.

Our principal executive offices are located at 5/F, North Wing, 18 Jiuxianqiao Middle Road, Chaoyang District, Beijing, 100016, the People’s Republic of China. Our telephone number at this address is +86 (10) 8448-1818. Our registered office in the Cayman Islands is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our telephone number at this address is +1 345-949-8066. We also have offices in 37 cities in China, including Shanghai, Guangzhou and Wuhan. Our agent for service of process in the United States in connection with the registration statement on Form F-1 for our initial public offering in May 2011 is Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4th Floor, New York, New York 10017.

B.

Business Overview

Overview

Renren operates a leading real name social networking internet platform and a rapidly growing internet finance platform in China. We enable users to connect and communicate with each other, share photos and enjoy a wide range of other features and services. We are also developing our internet finance business to leverage our core social networking services and large user base in China, particularly our target audience of college students and young people in China.

Beginning in late 2013, we have been reallocating our resources to new business areas. We disposed of Nuomi, our group-buy e-commerce business, in two stages in October 2013 and February 2014. We disposed of 56.com, our on-line video business, in December 2014. In November 2015, our board of directors approved the disposition of our online games business as part of our change in strategic direction to focus more on our internet finance business. We disposed of our entire online games business in March 2016.

Currently, our primary services are:

- *Renren SNS*, which includes our main social networking website and mobile services; and

- *Internet Finance Business*, which includes Renren Fenqi, a financial service platform which provides credit financing to college students in China for making purchases on e-commerce platforms, used automobile financing, our business where we provide credit financing to used automobile dealers, and Renren Licai, a financing and lending platform.

Renren SNS

Renren, our main real name social networking website plus mobile service, is the foundation of our service offerings. *Renren.com* and Renren Mobile App enable users to communicate and stay connected with their friends, classmates, family members and co-workers. We began at university campuses, and we believe our users include a significant portion of current college students and recent college graduates in China. Our real name social networking community has diversified over the years to include white-collar professionals, university-bound high school students and other demographics. Since December 2013, partly due to increased competition for the white collar demographic and their migration to social messaging services, we have begun re-focusing on the younger demographic such as university students. We believe real name relationships, through which users share personal content and experiences, provide the

basis for a deeper and more authentic sense of community, and hence create stronger and more enduring social graphs on the network. With approximately 88% of our traffic now coming from our mobile services, we have transformed from a PC-based social networking company to a mobile-oriented social networking services provider.

We are one of the largest SNS platforms in China. As of December 31, 2013, 2014 and 2015, the cumulative total of our activated users was approximately 206 million, 223 million and 228 million, respectively. From January 2015 through December 2015, we added an average of approximately 0.5 million new activated users per month. In December 2013, December 2014 and December 2015, the number of our monthly unique log-in users was approximately 45 million, 46 million and 41 million, respectively. From January 2015 through December 2015, our unique log-in users spent a monthly average of approximately 1.8 hours on our platform, compared to an average of 4.0 hours in 2014. The decrease in users' average time spent on our platform is primarily due to intense competition in the mobile internet environment, where there are numerous mobile applications dedicated to meet the specific needs of different users that have affected their stickiness to our platform.

Our SNS platform is accessible from internet-enabled devices, including mobile devices and personal computers, so that users can access our platform anytime from anywhere they are connected to the internet. We offer versions of our sites and client applications that have been optimized for a range of mobile device operating systems, including for iOS, Android and Windows. The mobile percentage of our monthly total user time spent on *renren.com* was 79.2%, 87.9% and 68.6% in December 2013, December 2014 and December 2015, respectively.

By providing content and applications that are attractive to Chinese internet users, we seek to strengthen our user base and increase user engagement and retention. With mobile devices having become the preferred method for Chinese internet users to access social networking services and other internet services, we have focused our research and development resources on mobile services and applications. During 2015, we continued to improve our Renren Mobile App's communication features. We opened our social graph from a friend-based network to a follow-based social network. In addition, multi-likes and mobile live streaming have been added to the app and are rapidly becoming popular features. The new features are compatible with our app strategy shift to an "online celebrity" type of format.

One of the primary approaches for us to monetize our user base is through online advertising services. We offer a broad range of advertising formats and solutions, such as social ads, display ads, top promoted news feeds, sponsored online events, campaigns and virtual items on both web and mobile platforms of *renren.com*, which are described in more detail below. For social ads, display ads, and top promoted news feed items, we have the capability to target and reach users meeting certain geographic and demographic criteria, such as educational background, life stage (for example, students or white collar workers), user interests and geographic location. We have developed mobile advertisement solutions which offer similar targeting capabilities, including location based recommendations.

Mobile advertising—Our mobile advertising products include top banner placements, location-based services, app promotions and promoted news feeds through our mobile applications. Advertisers may pay for different types of advertising formats while targeting their advertisements by user interests, time period, and demographic and geographic criteria. We began selling mobile advertising to our brand advertisers in the fourth quarter of 2013 and it accounted for approximately 15% of our total online advertising revenue for the year ended December 31, 2015.

Social ads—Our social ads come in a variety of formats, including user icon displays, and they support light flash-based interactions, including polls and coupons. Our social ads allow users to interact with the advertisement alone or together with friends using user-initiated call-to-action buttons such as "participate," "like this ad," "comment on this ad," "share this ad" and "become a fan," which can result in friend recommendations and other forms of social influence. Our social ads are designed to be non-intrusive and typically do not employ heavy flashing fields or pop-ups that cover large parts of the user's screen. Advertisers pay for social ads based on the time period that the advertisement is displayed or the number of impressions delivered.

Display ads—Our display ads are delivered alongside a web page primarily as graphical advertisements. Display ads can be targeted to certain users or can be displayed on a page at a certain time to all users viewing the page. Advertisers can pay for display ads based on the time period that the advertisement is displayed, the number of ad impressions delivered or the number of clicks on their advertisement. An “ad impression” is delivered when an advertisement appears on a page and the page is viewed by a user.

Top promoted news feeds—Our promoted news feeds display news, events and promotions regarding an advertiser or its brand to users in various formats, including text and text plus graphic, which they can further share among their friends.

Sponsored online events, campaigns and virtual items—We enable advertisers to sponsor a particular area on our website for online events or campaigns, and to sponsor virtual items.

While the growth of mobile advertising spending may be accelerating in mature markets such as the United States, China’s advertising market historically has taken longer to adopt trends and has yet to fully embrace mobile advertising. Nevertheless, we believe that mobile targeting will become more important as advertisers in China become more comfortable with mobile advertising and users continue to spend more time on our mobile services.

Our online advertising serves a broad base of advertisers, including leading international companies such as Yum and Coca-Cola, leading companies in China such as China Mobile, Meng Niu and Huawei, and various small- and medium-sized enterprises. In 2013, 2014 and 2015, the number of our brand advertisers was 189, 139 and 72, respectively, and the average annual spending by our brand advertisers was approximately US\$193,000, US\$179,000 and US\$118,000, respectively. Our advertisers operate in a variety of industries, including fast-moving consumer goods, information technology hardware, apparel and accessories, personal care products, automobile manufacturing and financial services. Our online advertising service team has direct contacts with our advertisers, the vast majority of whom purchase our online advertising services through third-party advertising agencies. As of December 31, 2015, we had 91 sales representatives and supporting personnel for online advertising services.

We also have an advertising division dedicated to servicing small and medium enterprise, or SME, advertisers. We utilize our *renren.com* platform to allow SME advertisers to select certain user information, such as city, gender, age, interest graph and university, for better targeting accuracy. SME advertising verticals typically consist of services relating to tutoring, wedding packages, personal electronics and on-line B2C services. In 2015, SME advertising represented approximately 10% of our total advertising revenue.

In addition to online advertising, we also monetize our user base through VIP memberships and virtual items on *renren.com* and *woxiu.com*. VIP memberships provide users with additional features and benefits such as larger size limits on photo albums and email inboxes. Virtual items, such as cartoon images, flashes, birthday cards and gift cards containing our virtual currency, can be sent by users to friends. Some virtual items are free and others need to be purchased. Woxiu, which means “a show of your own” in Chinese, is a social video platform for users to stream their performances live to viewers. With our social networking features, users can chat with the performer and other audience members and purchase virtual items from us such as flowers, jewelry or sports cars to show their support and appreciation for the performers.

Our Internet Finance Business

We believe internet finance is a promising opportunity for us to leverage our core SNS platform and large user base in China.

In the fourth quarter of 2014, we launched Renren Fenqi, a financial service platform which provides credit financing to college students in China for making purchases on e-commerce platforms. Since its launch, Renren Fenqi has experienced rapid growth in both registered user numbers and credit financing volume. As of December 31, 2015, Renren Fenqi covered 2,183 universities and colleges in 168 cities, with 571,553 registered users on its online platform, and had provided credit financing of an aggregate of RMB304 million (US\$46.9 million) for purchases on e-commerce platforms in China. We believe that we have a competitive advantage with our extensive database of college students in China, which allows us to assess their credit profiles and repayment abilities. As the leading SNS

on college campuses in China, we are able to reach out to our target users more effectively.

In the first quarter of 2015, we launched a used automobile financing service which provides credit financing to used automobile dealers. As of December 31, 2015, our used automobile financing service covered 33 cities and had provided credit financing to 431 used automobile dealers of an aggregate of RMB 735 million (US\$113.5 million) for payments of purchases or leases of used automobiles. In January 2016, we acted as the originator for China's first asset-backed security product collateralized by finance leasing of used automobiles, which was issued on January 21, 2016 and is traded on the Shanghai Stock Exchange.

In the second quarter of 2015, we launched Renren Licai, a financing and lending platform, as the first step toward entering the wealth management and investment brokerage services business. As of December 31, 2015, Renren Licai facilitated RMB 1.1 billion (US\$174.5 million) of loans for purchases on e-commerce platforms, renting apartments, and payments of purchases or leases of used automobiles in China. We expect to continue to add new services with strong growth potential in the internet finance field in China, for example, products and services relating to real estate and mortgages in China.

Payment Methods and Systems

In October 2007, we launched “Renren Beans,” virtual currency that can be used to purchase any of our IVAS or other paid services and applications for users. Users can acquire our virtual currency either online or offline:

Online—Users can purchase the virtual currency directly on our Renren platform through third-party online payment systems using bank cards and mobile and SMS payments, among other methods. In cooperation with third-party payment service providers, such as Alipay, 99 Bills, Yeepay and Jcard, we provide a wide selection of payment services to users.

Offline—Users can purchase online prepaid cards redeemable for our virtual currency from retail points across China, which primarily consist of newsstands, convenience stores and internet cafés.

In March 2016, we launched “Renren Points,” virtual currency that can be used to purchase any of our live streaming services. Users can acquire our virtual currency through third-party online payment systems and third-party payment service providers such as Alipay, WeChat Pay and Apple Pay.

Our internet finance business uses third-party payment service providers such as Alipay, Yeepay and 99 Bills to transfer funds to and from users.

Sales and Marketing

Advertising Sales

As is customary in China, we sell our online advertising services and solutions primarily through third-party advertising agencies that represent end-advertisers. We cultivate and strengthen our relationships with end-advertisers by sharing our understanding of the evolving social networking industry and related online advertising services and solutions. In addition, we also leverage advertising agencies’ existing client relationships and network resources to increase our sales and expand our advertiser base. We market our services and solutions through direct marketing, by hosting or attending public relations events such as trade marketing events, and through other marketing activities.

As of December 31, 2015, we had 91 sales representatives and supporting personnel for online advertising services. Our sales force for online advertising services is organized by industry and provides a broad range of services and solutions. In addition to building and maintaining customer relationships, our sales force assists advertisers in structuring advertising campaigns by analyzing the advertisers' target audiences and marketing objectives.

Marketing and Brand Promotion

We believe that brand recognition is important to our ability to attract users. We have engaged in both online and offline marketing activities to promote our Renren brand. To date, user recognition of our Renren brand has primarily grown virally, and we have built our Renren brand with modest marketing and brand promotion expenditures. In 2014, 2014 and 2015, we launched a series of online and offline branding campaigns to solidify our brand among the young generation. Although we may have to expand on our promotions from time to time, especially when we launch new services or products, our marketing expenses for these promotions are relatively small when compared to those of our principal competitors.

To encourage such viral growth, we focus on continuously improving the quality of our services, as we believe satisfied users and their friends are more likely to recommend our services to others. We also work with other operators and platforms for cross-marketing and co-branding projects to further leverage our existing brand value.

We have a marketing team that initiates various marketing activities. For example, we market our services through media partnerships, co-branding campaigns with other brands, initiatives with hit movies and sponsorship of cultural events such as music festivals. In 2014 and 2015, we organized a marketing think tank alliance “Young People Matter” with leading consumer brands, major advertising agencies and a variety of other organizations in China. We hosted a series of events for the alliance members to conduct direct conversations with college students, particularly the thought leaders and active users on *renren.com*. We believe that this alliance and its events further strengthened Renren’s reputation as an SNS platform for the young population in China and we expect to continue to actively participate in it.

We also established a team of sales and marketing personnel dedicated to our internet finance business. As of December 31, 2015, we had 410 sales and marketing personnel focusing on our growing internet finance business. Our sales and marketing team promoted our internet finance brands through online and offline activities.

Seasonality

Seasonal fluctuations and industry cyclicalities have affected, and are likely to continue to affect, our online advertising services and internet finance business. We generally generate less revenue from online advertising during national holidays in China, in particular during the first quarter of each year due to the slowdown of business during the Chinese New Year holiday season that lasts approximately two weeks. To a lesser extent, we also typically generate less revenues from online advertising during the fourth quarter of each year. This seasonality in revenues is due to the fact that a large concentration of our advertising customers are in the consumer sector, with many of them purchasing more of our advertising services in the spring and summer seasons due to the fact that certain of their major products sell better during those seasons. In addition, advertising spending in China has historically been cyclical, reflecting overall economic conditions as well as the budgeting and buying patterns of our advertisers. We expect that seasonal fluctuations and cyclicalities will continue to cause our quarterly and annual operating results to fluctuate. We generally generate less revenue from our internet finance business during the summer and winter vacations because college students make fewer purchases during vacations.

Competition

The internet industry in China is rapidly evolving and highly competitive. We face significant competition in almost every aspect of our business. In our social networking business, we compete with companies and services such as Tencent’s WeChat, QQ Mobile and Q-zone, SINA’s Weibo, and Momo. In our internet finance business, we primarily compete with established banks and with lending companies in China such as Qufenqi.com and Fenqile.com in online consumer financing services and Chedai.com and Limiku.com in automobile financing services. We expect the competition in the industry finance industry in China will continue to intensify as the industry develops in the near future. We also compete for online advertising revenues with other websites that sell online advertising services in

China. In addition, we indirectly compete for advertising budgets with traditional advertising media in China, such as television and radio stations, newspapers and magazines, and major out-of-home media. We may also face potential competition from global social networking service providers that seek to enter the China market.

We compete for advertisers primarily on the basis of size and purchasing power of our user base, effectiveness of services in reaching targeted consumers, ability to demonstrate marketing results, knowledge of our sales force, and leadership in our social network services category.

We compete for users and user engagement primarily on the basis of helping users communicate, share and have fun on our platform as a result of quality and innovation in our user-facing products, as well as brand name and recognition and quality of user-generated content. We believe the mobile market competitive landscape will continue to intensify in the near future.

We compete for internet finance business primarily on the basis of the size and purchasing power of our user base, our risk management capabilities, our user-friendly website and our mobile applications with data security.

Regulation

This section summarizes the principal current PRC laws and regulations relevant to our business and operations.

Regulations on Value-Added Telecommunications Services

In 2000, the State Council promulgated the Telecommunications Regulations which draw a distinction between “basic telecommunication services” and “value-added telecommunication services.” The Telecommunications Regulations were subsequently revised in 2014. In December 2015, the MIIT published the Classification Catalogue of Telecommunications Services, or the 2015 Catalogue, which took effect on March 1, 2016. The first catalogue was published in September 2000 and was subsequently amended in 2001 and 2003, respectively. Under the 2015 Catalogue, “value-added telecommunication services” was further classified into two sub-categories and 10 items. Internet content provision services, or ICP services, is under the second subcategory of value-added telecommunications businesses. Under the Telecommunications Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT or its provincial level counterparts.

In 2000, the State Council issued the Administrative Measures on Internet Information Services, or the Internet Measures, which were subsequently revised in 2011. According to the Internet Measures, commercial ICP service operators must obtain an ICP license from the relevant government authorities before engaging in any commercial ICP operations within the PRC.

In 2009, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating License, or the Telecom License Measures. The Telecom License Measures set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. For example, an ICP operator providing value-added services in multiple provinces is required to obtain an inter-regional license, whereas an ICP operator providing the same services in one province is required to obtain a local license.

In 2000, the MIIT promulgated the Administrative Measures on Internet Electronic Messaging Services, which require the operator to obtain a special BBS Permit from the local bureau of the MIIT prior to engaging in BBS services. BBS services include electronic bulletin boards, electronic forums, message boards and chat rooms. These measures were terminated by a notice issued by the State Council in September 2014. However, the competent authorities in Beijing still require companies to obtain approval for the operation of BBS services.

In 2004, the MIIT issued a notice stating that mobile network carriers can only provide mobile network access to those mobile internet service providers that have obtained licenses from the MIIT before conducting operations, and that such carriers must terminate mobile network access for those providers who have not secured the required licenses.

To comply with these laws and regulations, our information services operator, Qianxiang Tiancheng, holds a value-added telecommunications business operating license and an ICP license, and our ICP operators Qianxiang Wangjing, Qianxiang Changda and Wole Shijie all hold ICP licenses. In addition, Qianxiang Wangjing possesses BBS Permits issued by the local bureau of the MIIT.

Restrictions on Foreign Ownership in Value-Added Telecommunications Services

According to the Provisions on Administration of Foreign Invested Telecommunications Enterprises, or the FITE Provisions, promulgated by the State Council in December 2001 and amended in September 2008, the ultimate foreign equity ownership in a value-added telecommunications service provider must not exceed 50%. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunication business in China, it must demonstrate a good track record and experience in operating value-added telecommunications services. Foreign investors that meet these requirements must obtain approvals from the MIIT and the Ministry of Commerce or its authorized local branches, and the relevant approval application process usually takes six to nine months.

In 2006, the MIIT issued the Notice of the MIIT on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication services providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. According to this notice, either the holder of a value-added telecommunication business operating license or its shareholders must legally own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice further requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the notice and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holders, including revoking their value-added telecommunications business operating licenses.

To comply with these regulations, we operate our websites through our PRC domestic companies, i.e., Qianxiang Tiancheng, Qianxiang Wangjing, Qianxiang Changda and Wole Shijie, each holds relevant licenses and permits.

Regulations on Internet Content Services

National security considerations are an important factor in the regulation of internet content in China. The National People's Congress, the PRC's national legislature, has enacted laws with respect to maintaining the security of internet operations and internet content. According to these laws, as well as the Administrative Measures on Internet Information Services, violators may be subject to penalties, including criminal sanctions, for internet content 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;
- undermines the PRC's religious policy or propagates superstition;

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.

ICP service operators are required to monitor their websites. They may not post or disseminate any content that falls within these prohibited categories and must remove any such content from their websites. The PRC government may shut down the websites of ICP license holders that violate any of the above-mentioned content restrictions, order them to suspend their operations, or revoke their ICP licenses.

In February 2015, the China Internet Network Information Center promulgated the Administrative Provisions on Account Names of Internet Users, which became effective as of March 1, 2015. These provisions require all internet information service users to authenticate their real identity information for the registration of accounts and to comply with seven basic requirements, including observing the laws and regulations, upholding the socialist regime, protecting state interests and, among other requirements, ensuring the authenticity of any information they provide. Relevant internet information service providers are responsible for the protection of users' privacy, the consistency of user information, such as account names, avatars, and the requirements contemplated in the provisions, making reports to the competent authorities regarding any violation of the provisions, and taking appropriate measures to stop any such violations, such as notifying the user to make corrections within a specified time and suspending or closing accounts in the event of continue non-compliance.

To comply with these laws and regulations, we have adopted internal procedures to monitor content displayed on our websites, including a team of employees dedicated to screening and monitoring content uploaded on our websites and removing inappropriate or infringing content.

Regulations on Internet Finance Services

The Guidelines encourage innovation in internet finance platforms, products and services, provided they are compliant with the law. The Guidelines allocate regulatory oversight and responsibilities among the relevant authorities, among which internet payment services will be under the administration of the People's Bank of China while online lending (including peer to peer lending) and internet consumer finance will be under the administration of the China Banking Regulatory Commission. The Guidelines set forth legal parameters for internet finance platforms, which will serve as a basis for more detailed regulatory rules to be enacted in the future. Among these, the Guidelines state that any enterprise or individual that provides Internet financial services must complete financial regulatory procedures, as well as website record-filing procedures with the telecommunications authorities. Internet finance operators are required to fully disclose their business model, financial status, and transaction models to users. Internet finance operators are also required to implement effective technical safety measures. They are required to store and protect client and transaction information, and are prohibited from selling or divulging a client's personal information. Internet finance operators are required to protect the confidentiality of client information, failing which they would be subject to legal liability. Internet finance operators are required to implement effective measures to identify clients, proactively monitor and report suspicious transactions, and comply with anti-money laundering laws. This means that Internet finance platforms are "specific non-financial institutions that shall abide by anti-money laundering laws" as set forth in China's Anti-Money Laundering Law. The Guidelines also requests that, unless otherwise specified, Internet finance operators shall select qualified banking financial institutions as their funds depository to manage and oversee client funds, and to manage client funds and the enterprise's proprietary funds under separate accounts.

The Guidelines only set out the basic principles for promoting and administering the internet finance service, and were not accompanied by any implementing rules. As the implementing rules of the Guidelines have not been published, there is uncertainty as to how the requirements in the Guidelines will be interpreted and implemented. Given the evolving regulatory environment in which we operate, we cannot rule out the possibility that the PRC government will institute a licensing regime covering our industry. If such a licensing regime were introduced, we cannot assure you that we would be able to obtain any newly required license in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations. See "Risk Factors—Risks Related to Our Business— The laws and regulations governing internet finance in China are evolving and subject to change. If our practices are deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected."

Regulations on Consumer Finance Companies

Pursuant to the Administrative Measures for Pilot Consumer Finance Companies issued by the CBRC in November 2013, or the Measures, establishing a consumer finance service company is subject to approval from the CBRC, and the company should also satisfy certain requirements such as having qualified contributors, with registered capital no less than minimum amount under the Measures, having eligible directors and senior managements and qualified practitioners familiar with consumer finance business, among other requirements. Pursuant to the Measures, CBRC. Pursuant to the Measures, Consumer Finance Companies are defined as non-banking financial institutions incorporated within the territory of China upon the approval of the CBRC, providing PRC domestic residents with loans for consumption purposes, but excludes real estate loans and motor loans.

Both domestic and foreign financial institutions and other contributors recognized by the CBRC are allowed to invest in the Consumer Finance Companies. The major investor of a Consumer Finance Company, i.e, the investor who contributes 30 percent or more of the registered capital, must meet a set of stringent requirements including the investor should have at least five years of experience in the consumer finance sector, its total assets at the end of the most recent fiscal year should be no less than RMB 60 billion or equivalent foreign currency, it should be in a sound financial situation and be profitable for the most recent two fiscal years.

Our Renren Fenqi service provides credit financing to college students in China for making purchases on e-commerce platforms. Although we do not believe that we are a consumer finance service company by providing the Renren Fenqi service, it might be considered as a form of consumer finance service subject to the approval of China Banking Regulatory Commission, or CBRC. Very few consumer finance companies have been approved by the CBRC. If the Measures were considered applicable to our service, we might not be able to obtain approval from the CBRC in a timely manner or at all. See “Risk Factors—Risks Related to Our Business— The laws and regulations governing internet finance in China are evolving and subject to change. If our practices are deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected.”

Regulations on Internet Publishing

The Administrative Provisions on Online Publishing Services, or the Online Publishing Provisions, was jointly issued by the MIIT and the State General Administration of Press, Publication, Radio, Film and Television in 2016, and came into effect on March 10, 2016. The Online Publishing Provisions define “online publishing services” as providing online publications to the public through information networks. Any online publishing services provided in the territory of the PRC are subject to these provisions. The Online Publishing Provisions requires any internet publishing services provider to obtain an online publishing service license to engage in online publishing services. Under the Online Publishing Provisions, online publications refers to digital works which have publishing features such as digital work that have been edited, produced or processed and which are made available to the public through information networks, including written works, pictures, maps, games, cartoons, audio/video reading materials and other methods. Any online game shall obtain approval from SAPPRFT before it is launched online. Furthermore, Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises cannot engage in providing web publishing services.

Regulations on Information Security

The Ministry of Public Security promulgated measures in 1997 that prohibit the use of the internet in ways which, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities,

superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC national defense, state affairs and other matters as determined by the PRC authorities. In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets.

In 2005, the Ministry of Public Security promulgated Provisions on Technological Measures for Internet Security Protection, which require all ICP operators to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. The ICP operators must regularly update information security systems for their websites with local public security authorities, and must also report any public dissemination of prohibited content. If an ICP operator violates these measures, the PRC government may revoke its ICP license and shut down its websites.

Our PRC companies which are ICP operators have completed the mandatory security filing procedures with the respective local public security authorities, regularly update their information security and content-filtering systems with newly issued content restrictions, and maintain records of users' information as required by the relevant laws and regulations. They have also taken measures to delete or remove links to content that to their knowledge contains information violating PRC laws and regulations. Substantially all of the content published on our websites is manually screened by employees who are dedicated to screening and monitoring content published on our website and removing prohibited content. All of the other content, primarily consisting of comments posted by users, is first screened by our filtering systems and content containing prohibited words or images is manually screened by our employees. We believe that with these measures in place, no prohibited content under PRC information security laws and regulations should have been publicly disseminated through our website in the past. However, due to the significant amount of content published on our website by our users on a daily basis, if any prohibited content is publicly disseminated in the future and we become aware of it, we will report it to the relevant governmental authority. We believe these measures are generally in compliance with the relevant laws and regulations.

Regulations on Internet Privacy

In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. The PRC law does not prohibit ICP operators from collecting and analyzing personal information from their users. However, the Administrative Measures on Internet Information Services prohibit an ICP operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party. Pursuant to Administrative Measures on Internet Electronic Messaging Services, ICP operators that provide electronic messaging services must keep users' personal information confidential and must not disclose such personal information to any third party without the users' consent or unless required by law. The regulations further authorize the relevant telecommunications authorities to order ICP operators to rectify unauthorized disclosure. ICP operators are subject to legal liability if the unauthorized disclosure results in damages or losses to users. The PRC government, however, has the power and authority to order ICP operators to turn over personal information if an internet user posts any prohibited content or engages in illegal activities on the internet. In December 2011, the MIIT promulgated the Several Provisions on Regulating the Market Order of Internet Information Services, which became effective in March 2012. Without obtaining the consent from the users, telecommunication business operators and ICP operators may not collect or use the users' personal information. The personal information collected or used in the course of provision of services by the telecommunication business operators or ICP operators must be kept in strict confidence, and may not be divulged, tampered with or damaged, and may not be sold or illegally provided to others. The ICP operators are required to take certain measures to prevent any divulge, damage, tamper or loss of users' personal information.

In December 2012, the Standing Committee of the National People's Congress of the PRC issued the Decision on Strengthening the Protection of Online Information. Under this decision, ICP operators are required to take such technical and other measures necessary to safeguard information against inappropriate disclosure. To further implement this decision and relevant rules, MIIT issued the Regulation of Protection of Telecommunication and Internet User Information in 2013.

To comply with these laws and regulations, we require our users to accept a user term whereby they agree to provide certain personal information to us, and have established information security systems to protect users' privacy and have filed them with the MIIT or its local branch as required.

Regulations on Virtual Currency

The Notice on the Reinforcement of the Administration of Internet Cafes and Online Games, jointly issued by the Ministry of Culture, the People's Bank of China and other government authorities in 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 real economic and financial systems. 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 e-commerce transactions. This notice also provides that virtual currency should only be used to purchase virtual items.

The Notice on the Strengthening of Administration on Online Game Virtual Currency, jointly issued by the Ministry of Culture and the Ministry of Commerce in 2009, broadly defined virtual currency as a type of virtual exchange instrument issued by internet game operation enterprises, purchased directly or indirectly by the game user by exchanging legal currency at a certain exchange rate, saved outside the game programs, stored in servers provided by the internet game operation enterprises in electronic record format and represented by specific numeric units. Virtual currency is used to exchange internet game services provided by the issuing enterprise for a designated extent and time, and is represented by several forms, such as online prepaid game cards, prepaid amounts or internet game points, and does not include game props obtained from playing online games. In 2009, the Ministry of Culture further promulgated the Filing Guidelines on Online Game Virtual Currency Issuing Enterprises and Online Game Virtual Currency Trading Enterprises, which specifically defines “issuing enterprise” and “trading enterprise” and stipulates that a single enterprise may not operate both types of business.

Qianxiang Wangjing possesses an Online Culture Operating Permit with a business scope encompassing the “issuance of virtual currency”.

Regulations on Advertisements

The PRC government regulates advertising, including online advertising, principally through the State Administration for Industry and Commerce. We conduct our advertising business through consolidated affiliated entities in China, namely Qianxiang Tiancheng and Qianxiang Wangjing.

Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the contents of the advertisements they prepare or distribute are true and in full compliance with applicable laws and regulations. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been performed and the relevant approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In the case of serious violations, the State Administration for Industry and Commerce or its local branches may force the violator to terminate its advertising operation or even revoke its business license. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties.

Regulations on Broadcasting Audio/Video Programs through the Internet

In 2004, the SARFT promulgated the Rules for the Administration of Broadcasting of Audio/Video Programs through the Internet and Other Information Networks, or the A/V Broadcasting Rules. These rules apply to the launch, broadcasting, aggregation, transmission or download of audio/video programs via televisions, mobile phones and the internet and other information networks. Anyone who wishes to engage in internet broadcasting activities must first obtain an audio/video program transmission license, with a term of two years, issued by the SARFT and operate pursuant to the scope as provided in such license. Foreign invested enterprises are not allowed to engage in the above business.

In 2007, the SARFT and the MIIT jointly issued the Rules for the Administration of Internet Audio and Video Program Services, commonly known as Circular 56, which came into effect as of January 31, 2008. Circular 56 reiterates the requirement set forth in the A/V Broadcasting Rules that online audio/video service providers must obtain a license from the SARFT. Furthermore, Circular 56 requires all online audio/video service providers to be

either wholly state-owned or state-controlled. According to relevant official answers to press questions published on the SARFT's website dated February 3, 2008, officials from the SARFT and the MIIT clarified that online audio/video service providers that already had been operating lawfully prior to the issuance of Circular 56 may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. This exemption will not be granted to online audio/video service providers established after Circular 56 was issued. Such policies have been reflected in the Application Procedure for Audio/Video Program Transmission License.

In 2009, the SARFT released a Notice on Strengthening the Administration of Online Audio/Video Content. This notice reiterated, among other things, that all movies and television shows released or published online must comply with relevant regulations on the administration of radio, film and television. In other words, these movies and television shows, whether produced in the PRC or overseas, must be pre-approved by SARFT, and the distributors of these movies and television shows must obtain an applicable permit before releasing any such movie or television show. In 2012, SARFT and the State Internet Information Office of the PRC issued a Notice on Improving the Administration of Online Audio/Video Content Including Internet Drama and Micro Films. In 2013, the State Administration for Press, Publication, Radio, Film and Television (formed when the GAPP was combined with the SARFT in March 2013) released a Supplemental Notice on Improving the Administration of Online Audio/Video Content Including Internet Drama and Micro Films. This notice stresses that entities producing online audio/video content, such as internet dramas and micro films, must obtain a permit for radio and television program production and operation, and also that online audio/video content service providers should not release any internet dramas or micro films that were produced with any entity lacking such permit. For internet dramas or micro films produced and uploaded by individual users, the online audio/video service providers transmitting such content will be deemed responsible as the producer. Further, under this notice, online audio/video service providers can only transmit content uploaded by individuals whose identity has been verified and which content complies with the relevant content management rules. This notice also requires that online audio/video content, include internet drama and micro films, be filed with the relevant authorities before release.

Wole Shijie operates woxiu.com, a social video platform for users to stream performances live to viewers. In addition, we also opened our social graph from a friend-based network to a follow-based social network, and multi-likes and mobile live streaming have been added to the app and are rapidly becoming popular features. For such services we intend to apply for an Audio/Video Program Transmission License. See “Risk Factors—Risks Related to Our Business—We might not be able to obtain an Audio/Video Program Transmission License and an Online Culture Operating Permit for Woxiu and our social graph and mobile live streaming services.”

Regulations on Internet Mapping Services

Under the Surveying and Mapping Law adopted by the National People’s Congress, entities engaged in surveying and mapping services should obtain a surveying and mapping qualification certificate and comply with the state’s surveying and mapping criteria. According to the amended Administrative Rules of Surveying Qualification Certificate and the amended Standard for Surveying Qualification Certificate issued by the National Administration of Surveying, Mapping and Geoinformation in August 2014 and July 2014, respectively, and the Notice on Further Strengthening the Administration of Internet Map Services Qualifications, issued in 2011, the provision of internet mapping services by any non-surveying and mapping enterprise is subject to the approval of the National Administration of Surveying, Mapping and Geoinformation and requires a surveying and mapping qualification certificate. According to these rules, certain conditions and requirements, such as a minimum number of technical and map security verification personnel, security facilities, and approval from relevant provincial or national governments of the service provider’s security, qualification management and filing management systems, must be complied with by an enterprise applying for a Surveying and Mapping Qualification Certificate. The Internet Mapping Services License covers the following mapping services: (1) geographic location, (2) geographic information uploading and labeling, and (3) map database development. Qianxiang Wangjing holds a Surveying and Mapping Qualification Certificate for internet mapping.

In November 2015, the State Council enacted the Administrative Regulations on Maps, or the Maps Regulations, effective as of January 1, 2016. The Maps Regulations requires entities engaging in internet mapping services, such as geographic positioning, the uploading of geographic information or markings, and the development of a public map database, to obtain a relevant qualification certificate for surveying and mapping. The Maps Regulations require entities engaging in online map services to use mapping data approved by the relevant governmental authorities, host servers storing map data within the PRC, and establish a management system as well as protection measures for the data security of the online maps. The mapping data must not contain any content prohibited by the Maps Regulations, and no entities or individuals are allowed to upload or mark such prohibited content online. Further, entities engaging in internet mapping services shall keep confidential any information involving state secrets and trade secrets acquired during their work.

Regulations Relating to Online Peer-to-Peer Lending

The PRC government has not promulgated any specific rules, laws or regulations to specially regulate the online peer-to-peer lending service industry. In December 2015, the China Banking Regulatory Commission, or CBRC, released for public comment the Draft Interim Administrative Measures for the Business Activities of Peer-to-Peer Lending Information Intermediaries, or Draft P2P Measures. See “Risk Factors—Risks Related to Our Business—The laws and regulations governing peer-to-peer lending in China are evolving and subject to changes. If our practices are deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected.”

However, there are certain rules, laws and regulations relevant or applicable to the online peer-to-peer lending service industry, including the PRC Contract Law, the General Principles of the Civil Law of the PRC, and related judicial interpretations promulgated by the Supreme People's Court.

Regulations on Loans between Individuals

The PRC Contract Law governs the formation, validity, performance, enforcement and assignment of contracts. The PRC Contract Law confirms the validity of loan agreement between individuals and provides that the loan agreement becomes effective when the individual lender provides the loan to the individual borrower. The PRC Contract Law requires that the interest rates charged under the loan agreement must not violate the applicable provisions of the PRC laws and regulations. In accordance with the Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases issued by the Supreme People's Court in August 2015, or the Private Lending Judicial Interpretations, which came into effect on September 1, 2015, private lending is defined as financing between individuals, legal entities and other organizations. When private loans between individuals are paid by wire transfer, through online peer-to-peer lending platforms or by other similar means, the loan contracts between individuals are deemed to be validated upon the deposit of funds to the borrower's account. In the event that the loans are made through an online peer-to-peer lending platform and the platform only provides intermediary services, the courts shall dismiss the claims of the parties concerned against the platform demanding the repayment of loans by the platform as guarantors. However, if the online peer-to-peer lending service provider guarantees repayment of the loans as evidenced by its web page, advertisements or other media, or the court is provided with other proof, the lender's claim alleging that the peer-to-peer lending service provider shall assume the obligations of a guarantor will be upheld by the courts. The Private Lending Judicial Interpretations also provide that agreements between the lender and borrower on loans with interest rates below 24% per annum are valid and enforceable. As to loans with interest rates per annum between 24% and 36%, if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the interest payment. If the annual interest rate of a private loan is higher than 36%, the excess will not be enforced by the courts. All the loan transactions facilitated over our marketplace are between individuals currently.

Pursuant to the PRC Contract Law, a creditor may assign its rights under an agreement to a third party, provided that the debtor is notified. Upon due assignment of the creditor's rights, the assignee is entitled to the creditor's rights and the debtor must perform the relevant obligations under the agreement for the benefit of the assignee.

Regulations on Illegal Fund-Raising

Raising funds by entities or individuals from the general public must be conducted in strict compliance with applicable PRC laws and regulations to avoid administrative and criminal liabilities. The Measures for the Banning of

Illegal Financial Institutions and Illegal Financial Business Operations promulgated by the State Council in July 1998, and the Notice on Relevant Issues Concerning the Penalty on Illegal Fund-Raising issued by the General Office of the State Council in July 2007, explicitly prohibit illegal public fund-raising. The main features of illegal public fund-raising include: (i) illegally soliciting and raising funds from the general public by means of issuing stocks, bonds, lotteries or other securities without obtaining the approval of relevant authorities, (ii) promising a return of interest or profits or investment returns in cash, properties or other forms within a specified period of time, and (iii) using a legitimate form to disguise the unlawful purpose.

To further clarify the criminal charges and punishments relating to illegal public fund-raising, the Supreme People's Court promulgated the Judicial Interpretations to Issues Concerning Applications of Laws for Trial of Criminal Cases on Illegal Fund-Raising, or the Illegal Fund-Raising Judicial Interpretations, which came into force in January 2011. The Illegal Fund-Raising Judicial Interpretations provide that a public fund-raising will constitute a criminal offense related to "illegally soliciting deposits from the public" under the PRC Criminal Law, if it meets all the following four criteria: (i) the fund-raising has not been approved by the relevant authorities or is concealed under the guise of legitimate acts; (ii) the fund-raising employs general solicitation or advertising such as social media, promotion meetings, leafleting and SMS advertising; (iii) the fundraiser promises to repay, after a specified period of time, the capital and interests, or investment returns in cash, properties in kind and other forms; and (iv) the fund-raising targets at the general public as opposed to specific individuals. An illegal fund-raising activity will be fined or prosecuted in the event that it constitutes a criminal offense. Pursuant to the Illegal Fund-Raising Judicial Interpretations, an offender that is an entity will be subject to criminal liabilities, if it illegally solicits deposits from the general public or illegally solicits deposits in disguised form (i) with the amount of deposits involved exceeding RMB1,000,000 (US\$157,342), (ii) with over 150 fund-raising targets involved, or (iii) with the direct economic loss caused to fund-raising targets exceeding RMB500,000 (US\$78,671), or (iv) the illegal fund-raising activities have caused baneful influences to the public or have led to other severe consequences. An individual offender is also subject to criminal liabilities but with lower thresholds. In addition, an individual or an entity who has aided in illegal fund-raising from the general public and charges fees including but not limited to agent fees, rewards, rebates and commission, constitute an accomplice of the crime of illegal fund-raising. In accordance with the Opinions of the Supreme People's Court, the Supreme People's Procurator and the Ministry of Public Security on Several Issues concerning the Application of Law in the Illegal Fund-Raising Criminal Cases, the administrative proceeding for determining the nature of illegal fund-raising activities is not a prerequisite procedure for the initiation of criminal proceeding concerning the crime of illegal fund-raising, and the administrative departments' failure in determining the nature of illegal fund-raising activities does not affect the investigation, prosecution and trial of cases concerning the crime of illegal fund-raising.

Regulations on Peer-to-Peer Lending Service Provider

In a press conference in April 2014, a senior officer of the CBRC emphasized that a peer-to-peer lending services provider must operate as a platform that serves as an information intermediary between borrowers and lenders, and must not form any pool of capital, or provide any guarantee, or illegally raise any funds from the general public. Furthermore, on a public forum held in September 2014, another senior officer of the CBRC mentioned several requirements that the CBRC is contemplating for future regulation of the peer-to-peer lending service industry, which include, among others, that (i) a peer-to-peer lending service provider is neither a credit intermediary bearing credit risk nor a transaction platform, but an information intermediary between lenders and borrowers; (ii) a peer-to-peer lending service provider should not hold investors' funds or set up any capital pool; (iii) a peer-to-peer lending service provider must not provide guarantees for lenders in relation to the principal or interests, or bear any system risk or liquidity risk; (iv) the borrowers and lenders using the peer-to-peer lending service providers are required to register their real identity information; (v) a peer-to-peer lending service provider must meet some qualification requirements, such as those with respect to the registered capital, management and corporate governance; (vi) the transfer of funds between borrowers and lenders must be handled by independent third-party payment companies; (vii) peer-to-peer lending service providers must improve information disclosure; (viii) the loans and investments made through the platform should be "micro-financing" that targets individuals and small enterprises; (ix) a peer-to-peer lending service

provider should not unreasonably target high-interest financing projects; and (x) a peer-to-peer lending service provider should promote the promulgation and implementation of the rules for peer-to-peer lending service industry, and strengthen the function of self-regulations.

In July 2015, ten PRC regulatory agencies, including the PBOC, the MIIT and the CBRC, jointly issued the Guidelines on Promoting the Healthy Development of Internet Finance, or the Guidelines. The Guidelines define online peer-to-peer lending as direct loans between parties through an internet platform, which is under the supervision of CBRC, and governed by the PRC Contract Law, the General Principles of the Civil Law of the PRC, and related judicial interpretations promulgated by the Supreme People's Court. The Guidelines require that online peer-to-peer lending service providers must do the following:

- (i) act as an intermediary platform to provide information exchange, matching, credit assessment and other intermediary services, and must not provide credit enhancement services and/or engage in illegal fund-raising;

- (ii) complete registration with the relevant local counterpart of the MIIT in accordance with implementation regulations that may be promulgated by the MIIT or/and the Office for Cyberspace Affairs pursuant to the Guidelines;

- (iii) set up a custody account with a qualified bank in order to deposit, manage and supervise borrower and investor funds, and separate borrower and investor funds from the funds of the online peer-to-peer lending service provider, with that custody account being subject to independent audits, the results of which must be disclosed to investors and borrowers, all in accordance with implementation regulations that may be promulgated by the PBOC and other relevant regulatory agencies pursuant to the Guidelines;

- (iv) fully disclose all relevant information to customers, including but not limited to the online peer-to-peer lending service provider's financial status, transaction model, the rights and obligations of customers, and provide customers with reminders of the risk of loss;

- (v) not disseminate any untrue information and conduct any bundle sales;

- (vi) protect the personal information of the online peer-to-peer lending service provider's customers from any unauthorized disclosure, and must not sell and/or disclose such information illegally; and

- (vii) establish a customer identification program, monitor and report suspicious transactions, preserve customer information and transaction records, and provide assistance to the public security department and judicial authorities in investigations and proceedings in relation to anti-money laundering matters.

The Guidelines only set out the basic principles for promoting and administering the online peer-to-peer lending service industry, and new detailed rules and regulations will be adopted by the relevant regulatory agencies to implement and enforce the principles set out in the Guidelines. As the implementing rules of the Guidelines have not been published, there is uncertainty as to how the requirements in the Guidelines will be interpreted and implemented.

Due to the lack of detailed regulations and guidance in the area of peer-to-peer lending services and the possibility that the PRC government authority may promulgate new laws and regulations regulating peer-to-peer lending services in the future, we cannot assure you that our practice would not be deemed to violate any PRC laws or regulations, especially relating to illegal fund-raising, credit enhancement services and/or information disclosure. See "Risk Factors—Risks Related to Our Business— The laws and regulations governing peer-to-peer lending in China are evolving and subject to changes. If our practices are deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected."

Anti-money Laundering Regulations

The PRC Anti-money Laundering Law, which became effective in January 2007, sets forth the principal anti-money laundering requirements applicable to financial institutions as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients' identification information and transactions records, and reports on large transactions and suspicious transactions. According to the PRC Anti-money Laundering Law, financial institutions subject to the PRC Anti-money Laundering Law include banks, credit unions, trust investment companies, stock brokerage companies, futures brokerage companies, insurance companies and other financial institutions as listed and published by the State Council, while the list of the non-financial institutions with anti-money laundering obligations will be published by the State Council. The PBOC and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and certain non-financial institutions, such as payment institutions. However, the State Council has not promulgated the list of the non-financial institutions with anti-money laundering obligations.

The Guidelines jointly released by ten PRC regulatory agencies in July 2015, purport, among other things, to require internet finance service providers, including online peer-to-peer lending platforms, to comply with certain anti-money laundering requirements, including the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. The PBOC will formulate implementing rules to further specify the anti-money laundering obligations of internet finance service providers.

Regulations on Foreign Investment in the Leasing Industry

In October 2015, the Ministry of Commerce enacted the Measures for the Administration of Foreign Investment in the Leasing Industry, or the Foreign Investment in the Leasing Industry Measures, effective as of October 25, 2018. Under the Measures, foreign invested enterprises in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises in the PRC are allowed to engage in the leasing business or financial leasing business as well as to carry out relevant business activities upon the approval of the Ministry of Commerce. Foreign-invested financial leasing companies may conduct the following businesses: (i) financial leasing business; (ii) leasing business; (iii) purchase of leased property inside and outside of PRC; (iv) maintenance of assets underlying the leases and disposal of the residual value of assets underlying the leases; (v) lease transaction consultancy and security services; and (vi) other businesses approved by the Ministry of Commerce. The leased objects include transportation equipment, such as airplanes, automobiles, ships and other personal properties.

Regulations on Intellectual Property Rights

China has adopted legislation governing intellectual property rights, including trademarks, patents and copyrights. China is a signatory to the major international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

Patent. The National People's Congress adopted the Patent Law in 1984. To be patentable, invention or utility models must meet three conditions: novelty, inventiveness and practical applicability. A patent is valid for a term of twenty years in the case of an invention and a term of ten years in the case of utility models and designs. A third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of patent rights. We have obtained four patent granted by the State Intellectual Property Office.

Copyright. The National People's Congress adopted the Copyright Law in 1990. The Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The amended Copyright Law also requires registration of a copyright pledge.

Pursuant to the relevant PRC regulations, rules and interpretations, ICP operators will be jointly liable with the infringer if they (i) participate in, assist in or abet infringing activities committed by any other person through the internet, (ii) are or should be aware of the infringing activities committed by their website users through the internet, or (iii) fail to remove infringing content or take other action to eliminate infringing consequences after receiving a

warning with evidence of such infringing activities from the copyright holder. The court will determine whether an internet service provider should have known of their internet users' infringing activities based on how obvious the infringing activities are by taking into consideration a number of factors, including (i) the information management capabilities that the provider should have based on the possibility that the services provided by it may trigger infringing acts, (ii) the degree of obviousness of the infringing content, (iii) whether it has taken the initiative to select, edit, modify or recommend the contents involved, (iv) whether it has taken positive and reasonable measures against infringing acts, and (v) whether it has set up convenient programs to receive notices of infringement and made timely and reasonable responses to the notices. Where an internet service provider has directly obtained economic benefits from any contents made available by an internet user, it shall have a higher duty of care with respect to the internet user's act of infringement of others' copyrights. Advertisements placed for or other benefits particularly connected with specific contents may be deemed as direct economic benefits from such contents, but general advertising fees or service fees charged by an internet service provider for its internet services will not be included. In addition, where an ICP operator is clearly aware of the infringement of certain content against another's copyright through the internet, or fails to take measures to remove relevant contents upon receipt of the copyright holder's notice, and as a result, it damages the public interest, the ICP operator could be ordered to stop the tortious act and be subject to other administrative penalties such as confiscation of illegal income and fines. An ICP operator is also required to retain all infringement notices for a minimum of six months and to record the content, display time and IP addresses or the domain names related to the infringement for a minimum of 60 days.

An internet service provider may be exempted from liabilities for providing links to infringing or illegal content or providing other internet services which are used by its users to infringe others' copyright, if it does not know and does not have constructive knowledge that such content is infringing upon other parties' rights or is illegal. However, if the legitimate owner of the content notifies the internet service provider and requests removal of the links to the infringing content, the internet service provider would be deemed to have constructive knowledge upon receipt of such notification, but would be exempted from liabilities if it removes or disconnects the links to the infringing content at the request of the legitimate owner. At the request of the alleged infringer, the internet service provider should immediately restore links to content previously disconnected upon receipt of initial non-infringing evidence.

We have adopted measures to mitigate copyright infringement risks. For example, our policy is to remove links to web pages if we know these web pages contain materials that infringe third-party rights or if we are notified by the legitimate copyright holder of the infringement with proper evidence.

Software products. In 2000, the MIIT issued the Administrative Measures on Software Products, which provide a registration and filing system with respect to software products made in or imported into China. These software products may be registered with the competent local authorities in charge of software industry administration and enjoy preferential treatment status granted by relevant software industry regulations. Software products can be registered for five years, and the registration is renewable upon expiration. In 2012, the National Copyright Administration of the PRC issued the Computer Software Copyright Registration Procedures, which apply to software copyright registration, license contract registration and transfer contract registration. In compliance with, and in order to take advantage of, the above rules, we have registered 71 computer software copyrights.

Trademark. The PRC Trademark Law was adopted in 1982. The Trademark Office under the State Administration for Industry and Commerce handles trademark registrations and grants a term often years for registered trademarks. Trademark license agreements must be filed with the Trademark Office for record. “ ” and “ ” are registered trademarks in China. We have also applied with the Trademark Office to register additional trademarks and logos, including “ ”.

Domain Names. In 2002, the CNNIC issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names. In 2004, the MIIT promulgated the Measures for Administration of Domain Names for the Chinese Internet to regulate the registration of domain names, such as the first tier domain name “.cn”. In 2006, the CNNIC issued the Measures on Domain Name Dispute Resolution and its implementing rules, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes. We have registered domain names including *renren.com*, *xiaonei.com*, *51fenqi.com*, *chimeroi.com* and *sofund.com*. In December 2013, we entered into a Registry Agreement with ICANN, which grants us the right to use the generic top level domain name .ren.

Regulations on Foreign Exchange

Under the Foreign Currency Administration Rules, which were promulgated in 2008, if documents certifying the purposes of the conversion of RMB into foreign currency are submitted to the relevant foreign exchange conversion bank, the RMB will be convertible for current account items, including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loans, securities investment and repatriation of investment, however, is subject to the approval of SAFE or its local counterpart.

Under the Administration Rules for the Settlement, Sale and Payment of Foreign Exchange, which were promulgated in 1996, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE or its local counterpart. Capital investments by PRC entities outside of China, after obtaining the required approvals of the relevant approval authorities, such as the Ministry of Commerce and the National Development and Reform Commission or their local counterparts, are also required to register with SAFE or its local counterpart.

In utilizing funds that we hold offshore, as an offshore holding company with PRC subsidiaries, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries or consolidated affiliated entities, or (iv) acquire offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and approvals. For example:

- capital contributions to our PRC subsidiaries, whether existing or newly established ones, must be approved by the Ministry of Commerce or its local counterparts;

- loans by us to our PRC subsidiaries, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches; and

- loans by us to our consolidated affiliated entities, which are domestic PRC entities, must be approved by the National Development and Reform Commission and must also be registered with SAFE or its local branches.

In March 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the “conversion-at-will” system for foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will system for foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its Renminbi registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, foreign-invested enterprises like our PRC subsidiaries are still not allowed to extend intercompany loans to our VIEs. In addition, as SAFE Circular 19 was promulgated recently, there remain substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities.

Regulations on Dividend Distribution

Wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, these wholly foreign-owned enterprises are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds, until the aggregate amount of such fund reaches 50% of its registered capital. At the discretion of these wholly

foreign-owned enterprises, they may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

As of December 31, 2015, the registered capital of our wholly foreign-owned subsidiary Qianxiang Shiji was US\$180.0 million with paid-in capital of US\$171.0 million, Qianxiang Shiji has not made any profits to date, and thus are not subject to the statutory reserve fund requirement. Qianxiang Shiji has not and will not be able to pay dividends to our offshore entities until they generate accumulated profits and meet the requirements for statutory reserve funds. As of December 31, 2015, our PRC subsidiary Qianxiang Shiji had an accumulated deficit of approximately US\$49.7 million in accordance with PRC accounting standards and regulations.

Regulations on Offshore Investment by PRC Residents

In July 2014, SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Control of Domestic Residents' Overseas Investment and Financing and Roundtrip Investment through Offshore Special Purpose Vehicles, or SAFE Circular 37, which replaced the former Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or SAFE Circular 75, promulgated by SAFE in 2005.

SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, which is referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease of capital contributed by PRC residents, share transfer or exchange, merger, division or other material events. In the event that a PRC resident holding interests in a special purpose vehicle fails to complete the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

We have made due inquiries with the competent local branch of SAFE regarding the applicability of the above foreign exchange registration requirements to our founder and our PRC resident shareholders.

Regulations on Employee Stock Options Plans

In 2007, SAFE issued implementing rules for the Administrative Measures of Foreign Exchange Matters for Individuals, which, among other things, specified approval requirements for certain capital account transactions, such as a PRC citizen's participation in employee stock ownership plans or share option plans of an overseas publicly listed company. In 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies, or the Stock Option Notice, which simplifies the requirements and procedures for the registration of stock incentive plan participants, especially in respect of the required application documents and the absence of strict requirements on offshore and onshore custodian banks.

Under these rules, for PRC resident individuals who participate in stock incentive plans of overseas publicly listed companies, which includes employee stock ownership plans, stock option plans and other incentive plans permitted by relevant laws and regulations, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must, among other things, file on behalf of such resident an application with SAFE or its local counterpart to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock holding or share option exercises, as PRC residents may not directly use overseas funds to purchase shares or exercise share options. In addition, within three months after any substantial changes to any such stock incentive plan, including example any changes due to a merger or acquisition or changes to the domestic or overseas custodian agent, the domestic agent must update the registration with SAFE.

Under the Foreign Currency Administration Rules, as amended in 2008, the foreign exchange proceeds of domestic entities and individuals can be remitted into China or deposited abroad, subject to the terms and conditions to be issued by SAFE. However, the implementing rules in respect of depositing the foreign exchange proceeds abroad have not been issued by SAFE. The foreign exchange proceeds from the sales of shares can be converted into RMB or transferred to such individuals' foreign exchange savings account after the proceeds have been remitted back to the special foreign exchange account opened at the PRC domestic bank. If share options are exercised in a cashless exercise, the PRC domestic individuals are required to remit the proceeds to special foreign exchange accounts.

In addition, the State Administration of Taxation has issued circulars concerning employee share options. Under these circulars, our employees working in China who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and withhold the individual income taxes of employees who exercise their share options.

Labor Laws and Social Insurance

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with workplace safety training. In addition, employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative liabilities. Criminal liability may arise for serious violations. To comply with these laws and regulations, we have caused all of our full-time employees to enter into labor contracts and provide our employees with the proper welfare and employment benefits.

Regulations on Concentration in Merger and Acquisition Transactions

In August 2006, six PRC regulatory agencies jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule. The M&A Rule established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. These rules require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings issued by the State Council in 2008 are triggered.

C. Organizational Structure

The following diagram illustrates our principal subsidiaries and consolidated affiliated entities as of the date of this annual report:

(1) Qianxiang Tiancheng is 99% owned by Ms. Jing Yang, who is the wife of Mr. Joseph Chen, our founder, chairman and chief executive officer, and 1% owned by Mr. James Jian Liu, our director and chief operating officer. We effectively control Qianxiang Tiancheng as well as its subsidiaries through contractual arrangements. See “Item 4.C Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities” for more information.

Contractual Arrangements with Our Consolidated Affiliated Entities

Applicable PRC laws and regulations currently restrict foreign ownership of companies that provide value-added telecommunications services in China. To comply with these foreign ownership restrictions, our wholly owned subsidiary Qianxiang Shiji has entered into series of contractual arrangements with Qianxiang Tiancheng and its shareholders, which enable us to:

exercise effective control over Qianxiang Tiancheng and its subsidiaries through powers of attorney and a business operations agreement;

receive substantially all of the economic benefits of Qianxiang Tiancheng and its subsidiaries in the form of service and license fees in consideration for the technical services provided, and the intellectual property rights licensed, by Qianxiang Shiji; and

have an exclusive option to purchase all of the equity interests in Qianxiang Tiancheng when and to the extent permitted under PRC laws, regulations and legal procedures.

We have been, and are expected to continue to be, dependent on our contractual arrangements with Qianxiang Tiancheng and its shareholders to operate substantially all of our business in China as long as PRC law does not allow us to directly operate such business in China. We rely on our consolidated affiliated entities, namely Qianxiang Tiancheng and its subsidiaries, to maintain or renew their respective qualifications, licenses or permits necessary for our business in China. We believe that under our contractual arrangements, we have substantial control over our consolidated affiliated entities and their respective shareholders to renew, revise or enter into new contractual arrangements prior to the expiration of the current arrangements on terms that would enable us to continue to operate our business in China after the expiration of the current arrangements, or pursuant to certain amendments and changes of the current applicable PRC laws, regulations and rules on terms that would enable us to continue to operate our business in China legally. For a detailed description of the regulatory environment that necessitates the adoption of our corporate structure, see “Item 4.B—Business Overview—Regulation.” For a detailed description of the risks associated with our corporate structure and the contractual arrangements that support our corporate structure, see “Item 3.D—Key Information—Risk Factors—Risks Related to Our Corporate Structure and the Regulation of our Business.”

The business operation of Qianxiang Shiji is within the approved business scope as set forth in its business license, which includes research and development of computer software, communication software and system integration; sale of self-produced products; provision of after-sale technical consulting and services. Qianxiang Tiancheng is a limited liability companies established in China. Its approved business scope includes the provision of internet information, internet advertising and advertising agency services, and it holds an internet content provision license, or ICP license. Qianxiang Tiancheng is 99% owned by Ms. Jing Yang, who is the wife of Mr. Joseph Chen, our founder, chairman and chief executive officer, and 1% owned by Mr. James Jian Liu, our executive director and chief operating officer.

Both Ms. Yang and Mr. Liu are PRC citizens.

Qianxiang Wangjing is a wholly owned subsidiary of Qianxiang Tiancheng. Qianxiang Wangjing is the operator of our *renren.com* website and holds the licenses and permits necessary to conduct our real name social networking services and online advertising business in China.

Qianxiang Changda is a wholly owned subsidiary of Qianxiang Tiancheng. Qianxiang Changda is the operator and holding entity for our internet finance businesses. Qianxiang Changda and its subsidiaries hold or are in the process of applying for the licenses and permits necessary to conduct our internet finance businesses in China.

In addition, we had entered into a series of contractual arrangements with Jiexi Haohe (Beijing) Technology Development Co., Ltd., or Jiexi Haohe, and its shareholders similar to the arrangements mentioned above. On November 1, 2015, the above mentioned series of contractual arrangements with Jiexi Haohe was terminated and a new series of contractual arrangements was entered into with the same arrangements on November 2, 2015. On December 8, 2015 Jiexi Haohe changed its registered name to Jiexun Pinghe (Beijing) Technology Development Co., Ltd., or Jiexun Pinghe. Jiexun Pinghe has not carried out any significant business activities to date.

We also entered into a series of contractual arrangements with Renren Jinfu Investment Management Co., Ltd., or Renren Jinfu, and its shareholder similar to the arrangements mentioned above. Renren Jinfu has not carried out any significant business activities to date.

The following is a summary of the currently effective contracts between our subsidiary Qianxiang Shiji, our consolidated affiliated entity Qianxiang Tiancheng, and the shareholders of Qianxiang Tiancheng. These contracts provide us with the power to direct the activities that most significantly affect the economic performance of our consolidated affiliated entities and enable us to receive substantially all the economic benefits from them.

Business Operations Agreements. Pursuant to a business operations agreement between Qianxiang Shiji, Qianxiang Tiancheng and its shareholders, Qianxiang Tiancheng shall appoint the candidates designated by Qianxiang Shiji as the executive director or directors, general manager, chief financial officer and any other senior officers of Qianxiang Tiancheng. Qianxiang Tiancheng agrees to follow the proposal provided by Qianxiang Shiji from time to time relating to employment, daily operation and financial management. Without Qianxiang Shiji's prior written consent, Qianxiang Tiancheng shall not conduct any transaction that may materially affect its assets, obligations, rights or operations, including but not limited to, (i) incurrence or assumption of any indebtedness, (ii) sale or purchase of any assets or rights, (iii) incurrence of any encumbrance on any of its assets or intellectual property rights in favor of a third party, or (iv) transfer of any rights or obligations under this agreements to a third party. The term of this agreement is ten years and will be extended automatically for another ten years unless Qianxiang Shiji provides a written notice requesting not to extend the term three months prior to the expiration date, which is December 22, 2020. Qianxiang Shiji may terminate the agreement at any time by providing a 30-day advance written notice to Qianxiang Tiancheng and to each of its shareholders. Neither Qianxiang Tiancheng nor any of its shareholders may terminate this agreement during the term or the extension of the term, if applicable.

Powers of Attorney. Pursuant to powers of attorney, the shareholders of Qianxiang Tiancheng each irrevocably appointed our executive director and chief operating officer, Mr. James Jian Liu (the person designated by Qianxiang Shiji) as their attorney-in-fact to vote on their behalf on all matters of Qianxiang Tiancheng that requires shareholder approval under PRC laws and regulations as well as Qianxiang Tiancheng's articles of association. The appointment of Mr. Liu is conditional upon his being the employee and the designated person of Qianxiang Shiji. Each power of attorney will remain in effect from December 23, 2010 to December 22, 2020, unless and until the earlier of the following events: (i) Mr. Liu loses his position in Qianxiang Shiji or Qianxiang Shiji issues a written notice to dismiss or replace Mr. Liu; and (ii) the business operations agreement between Qianxiang Shiji, Qianxiang Tiancheng and its shareholders terminates or expires.

Spousal Consent Letters. Pursuant to spousal consent letters, the spouse of each of the shareholders of Qianxiang Tiancheng acknowledged that certain equity interests of Qianxiang Tiancheng held by and registered in the name of his/her spouse will be disposed of pursuant to the equity option agreements. These spouses understand that such equity interests are held by their respective spouse on behalf of Qianxiang Shiji, and they will not take any action to interfere with the disposition of such equity interests, including, without limitation, claiming that such equity interests

constitute communal property of marriage.

Equity Option Agreements. Pursuant to equity option agreements between Qianxiang Shiji and each of the shareholders of Qianxiang Tiancheng, Qianxiang Tiancheng's shareholders granted Qianxiang Shiji or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of their equity interests in Qianxiang Tiancheng in consideration of the loans extended to Qianxiang Tiancheng's shareholders under the loan agreements mentioned below. In addition, Qianxiang Shiji has the option to acquire the equity interests of Qianxiang Tiancheng at the lowest price then permitted by PRC law in consideration of the cancellation of all or part of the loans extended to the shareholders of Qianxiang Tiancheng under the loan agreements. Qianxiang Shiji or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Qianxiang Shiji or its designated representative(s) is entitled to exercise the options for unlimited times until all of the equity interests of Qianxiang Tiancheng have been acquired, and can be freely transferred, in whole or in part, to any third party. Without Qianxiang Shiji's consent, Qianxiang Tiancheng's shareholders shall not transfer, donate, pledge, or otherwise dispose their equity shareholdings in Qianxiang Tiancheng in any way. The equity option agreement will remain in full force and effect until the earlier of: (i) the date on which all of the equity interests in Qianxiang Tiancheng have been acquired by Qianxiang Shiji or its designated representative(s); or (ii) the receipt of the 30-day advance written termination notice issued by Qianxiang Shiji to the shareholders of Qianxiang Tiancheng. The key factors for our decision to exercise the option are whether the current regulatory restrictions on foreign investment in the internet business and advertising business will be relaxed in the future, which is rather unpredictable at the moment. If such restrictions are relaxed, we will, through Qianxiang Shiji, exercise the option and purchase all or part of the equity interests in Qianxiang Tiancheng.

Exclusive Technical Service Agreements. Pursuant to an exclusive technical service agreement between Qianxiang Shiji and Qianxiang Tiancheng, Qianxiang Shiji has the exclusive right to provide certain technical services, including maintenance of servers, development, updating and upgrading of web user application software, e-commerce technical services, to Qianxiang Tiancheng. Without Qianxiang Shiji's prior written consent, Qianxiang Tiancheng shall not engage any third party to provide any of the technical services under this agreement. In addition, Qianxiang Shiji exclusively owns all intellectual property rights resulting from the performance of this agreement. Qianxiang Tiancheng agrees to pay a service fee to Qianxiang Shiji at a specific fee rate proposed by Qianxiang Shiji. Qianxiang Shiji shall have the right to adjust at any time the fee rate based on the quantity, difficulty and urgency of the services it provides to Qianxiang Tiancheng and other factors. The term of this agreement is ten years and will be extended automatically for another ten years unless terminated by Qianxiang Shiji's written notice three months prior to the expiration of the term, which is December 22, 2020. Qianxiang Shiji can terminate the agreement at any time by providing a 30-day prior written notice. Qianxiang Tiancheng is not permitted to terminate this agreement prior to the expiration of the term, unless Qianxiang Shiji fails to comply with any of its obligations under this agreement and such breach makes Qianxiang Shiji unable to continue to perform this agreement.

Intellectual Property Right License Agreements. Pursuant to an intellectual property right license agreement between Qianxiang Shiji and Qianxiang Tiancheng, Qianxiang Shiji grants a non-exclusive and non-transferable license, without sublicense rights, to Qianxiang Tiancheng to use certain of the domain names, registered trademarks and non-patent technology (software) owned by Qianxiang Shiji. Qianxiang Tiancheng may only use the intellectual property rights in its own business operations. The amount, payment method and classification of the license fees under this agreement shall be determined based on the precondition that they facilitate Qianxiang Shiji's securing of all preferential treatments under the PRC tax policies and shall be agreed by both Qianxiang Shiji and Qianxiang Tiancheng considering, among others, the following factors: (i) the number of users purchasing Qianxiang Tiancheng's products or receiving Qianxiang Tiancheng's services; and (ii) the types and quantity of the intellectual property rights, which are specified under this agreement, actually used by Qianxiang Tiancheng for selling products or providing services to its users. On December 1, 2015, Qianxiang Shiji and Qianxiang Tiancheng entered into a supplementary agreement to extend the terms of this agreement for ten years, pursuant to which the current term expires on December 1, 2025. Qianxiang Shiji may terminate this agreement at any time by providing a 30-day prior written notice. Any party may terminate this agreement immediately with written notice to the other party if the other party materially breaches the relevant agreement and fails to cure its breach within 30 days from the date it receives the written notice specifying its breach from the non-breaching party. The parties will review this agreement every three months and determine if any amendment is needed.

Equity Interest Pledge Agreements. Pursuant to equity interest pledge agreements between Qianxiang Shiji and each of the shareholders of Qianxiang Tiancheng, the shareholders of Qianxiang Tiancheng pledge all of their equity interests in Qianxiang Tiancheng to Qianxiang Shiji, to guarantee Qianxiang Tiancheng and its shareholders' performance of their obligations under, where applicable, (i) the loan agreements, (ii) the exclusive technical service agreement, (iii) the intellectual property right license agreement and (iv) the equity option agreements. If Qianxiang Tiancheng and/or any of its shareholders breach their contractual obligations under the aforesaid agreements, Qianxiang Shiji, as the pledgee, will be entitled to certain rights and entitlements, including the priority in receiving payments by the evaluation or proceeds from the auction or sale of whole or part of the pledged equity interests of Qianxiang Tiancheng in accordance with legal procedures. Without Qianxiang Shiji's prior written consent, shareholders of Qianxiang Tiancheng shall not transfer or assign the pledged equity interests, or incur or allow any

encumbrance that would jeopardize Qianxiang Shiji's interests. During the term of this agreement, Qianxiang Shiji is entitled to collect all of the dividends or other distributions, if any, derived from the pledged equity interests. The equity interest pledge has become effective and will expire on the earlier of: (i) the date on which Qianxiang Tiancheng and its shareholders have fully performed their obligations under the loan agreements, the exclusive technical service agreement, the intellectual property right license agreement and the equity option agreements; (ii) the enforcement of the pledge by Qianxiang Shiji pursuant to the terms and conditions under this agreement to fully satisfy its rights under such agreements; or (iii) the completion of the transfer of all equity interests of Qianxiang Tiancheng by the shareholders of Qianxiang Tiancheng to another individual or legal entity designated by Qianxiang Shiji pursuant to the equity option agreement and no equity interest of Qianxiang Tiancheng is held by such shareholders. The equity interest pledge agreements have been registered with the relevant authorities.

Loan Agreements. Under loan agreements between Qianxiang Shiji and each of the shareholders of Qianxiang Tiancheng, Qianxiang Shiji made interest-free loans in an aggregate amount of RMB10.0 million to the shareholders of Qianxiang Tiancheng exclusively for the purpose of the initial capitalization and the subsequent financial needs of Qianxiang Tiancheng. The loans can only be repaid with the proceeds derived from the sale of all of the equity interests in Qianxiang Tiancheng to Qianxiang Shiji or its designated representatives pursuant to the equity option agreements. The term of the loans is ten years from the actual drawing down of such loans by the shareholders of Qianxiang Tiancheng, and will be automatically extended for another ten years unless a written notice to the contrary is given by Qianxiang Shiji to the shareholders of Qianxiang Tiancheng three months prior to the expiration of the loan agreements.

D. Property, Plants and Equipment

Our principal executive offices are located at 5/F, North Wing, 18 Jiuxianqiao Middle Road, Chaoyang District, Beijing, 100016, People's Republic of China, where we lease approximately 7,635 square meters of office space as of March 31, 2016. We also lease an additional 5,772 square meters of office space in 37 cities throughout China, including Beijing, Shanghai, Guangzhou, Wuhan and Zhengzhou. We lease our premises from unrelated third parties under non-cancelable operating lease agreements. Some of the lessors of our leased premises do not have valid title to such premises or proper authorization from the title owner to sublease such premises. For further details, see "Item 3.D—Risk Factors—Risks Related to Our Business and Industry—The leasehold interests of some of our consolidated affiliated entities might not be fully protected by the terms of the relevant lease agreements due to defects in or the landlord's failure to provide certain title documents with respect to some of our leased properties." Our leases typically have terms of one or two years, although there are a few leases which have terms of three to four years, including the lease of our principal executive offices. The majority of our leases are due to expire during 2017.

Our servers are primarily hosted at internet data centers owned by major domestic internet data center providers. The hosting services agreements typically have terms of one year. We believe that we will be able to obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the related notes included elsewhere in this annual report

on Form 20-F. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3.D. Key Information—Risk Factors” and elsewhere in this annual report on Form 20-F.

A. Operating Results

Overview

In 2012, we had two operating and reportable segments, namely Renren and Nuomi. The Renren segment included our online advertising, online games and other IVAS businesses, such as our Woxiu business. Our Nuomi group-buy business was quite significant at that time and thus formed a separate segment.

During 2013, the following corporate changes occurred in our businesses and organization:

the corporate restructuring of our online games business, which was originally under IVAS and now had its own management team and operating entities to meet its business needs; and

the acquisition in October 2013 by Baidu Holdings Limited, a subsidiary of Baidu, Inc., of approximately 59% of the equity interest of Nuomi, which operated our group-buy business.

As a result of the dilution of our equity interest in Nuomi, Nuomi's financial results have been deconsolidated as of October 26, 2013 and classified under discontinued operations. Based on our analysis of the above corporate changes, we concluded that in 2013 and 2014 we had two reportable segments, namely Renren and Games. In addition, in 2014 we disposed of Qianjun Technology, the operator of 56.com within the Renren segment, and therefore we have classified the financial results from 56.com under discontinued operations as well.

In 2015, we classified our game business as held for sale and the financial results of our game business under discontinued operations. As our internet finance business increased, we reevaluated our reportable segments and concluded that we have two reportable segments, namely Renren and internet finance. We retrospectively adjusted our segment information for all periods presented to reflect these changes in our segment reporting. These adjustments are also reflected in the following discussion of our segment operating results for comparison to prior year results.

We currently generate revenues from our Renren segment and internet finance segment. Our Renren segment had net revenues from both online advertising and IVAS. Our online advertising revenues are derived from a wide range of advertising formats and solutions. Our IVAS revenues include revenues from VIP memberships, virtual items and other paid applications on *renren.com* and *woxiu.com*. Our internet finance business includes Renren Fenqi, an online platform which provides credit financing to college students in China through the form of payment by installments, our used automobile financing business where we provide credit financing to used automobile dealers, and Renren

Licai, a financing and lending platform. We charge fees for financing services, and for monthly services covering cash processing services, collection services and SMS services.

Our total net revenues decreased from US\$64.1 million in 2013 to US\$46.7 million in 2014 and further to US\$41.1 million in 2015. We had a loss from continuing operations of US\$34.4 million in 2013, an income from continuing operations of US\$29.8 million in 2014, and a loss from continuing operations of US\$223.2 million in 2015.

The major factors affecting our results of operations and financial condition are discussed below.

Net Revenues

We derive all of our revenues from our Renren and internet finance segments. Our Renren segment includes online advertising and IVAS service lines. As is customary in the advertising industry in China, we offer rebates to third-party advertising agencies and recognize online advertising revenues net of these rebates. We recognized all of our revenues net of business taxes through 2011. Starting from 2012, we recognize our revenues net of business taxes or value added tax, as applicable.

The following table sets forth the principal components of our net revenues, both as absolute amounts and as percentages of our total net revenues from our continuing operations, for the periods presented.

	Years ended December 31,					
	2013		2014		2015	
	(in thousands of US\$, except for percentages)					
	US\$	%	US\$	%	US\$	%
Net revenues:						
Renren segment:						
Online advertising	\$41,575	64.9 %	\$26,894	57.6 %	9,720	23.6 %
IVAS	22,475	35.1 %	19,747	42.3 %	22,787	55.4 %
Renren segment total	64,050	100.0%	46,641	99.9 %	32,507	79.0 %
Internet finance segment	—	—	27	0.1 %	8,604	21.0 %
Total net revenues	\$64,050	100.0%	\$46,668	100.0%	41,111	100.0%

Our Renren segment

Our Renren segment has net revenues from both online advertising and IVAS.

Online advertising. We offer a wide range of online advertising formats and solutions, including social ads, display ads, promoted news feed items, fan and brand pages, self-service advertising solutions targeted at small- and medium-sized enterprises, and other formats such as sponsored online events and branded virtual items. We also started offering mobile advertising solutions through our Renren mobile app towards the end of 2013, including banners, newsfeeds and sponsored stories. In 2013, 2014 and 2015, approximately 87.9%, 94.7% and 89.0%, respectively, of our online advertising revenues were derived from pay-for-time arrangements, whereby advertisers place their orders based on the period of time an advertisement is displayed in a specific format on a specific web page or through our mobile advertising formats. In addition to pay-for-time arrangements, advertisers can pay for our PC advertising solutions based on the number of ad impressions delivered or the number of clicks on their advertisement. An “ad impression” is delivered when an advertisement appears on a page and the page is viewed by a user.

Historically, advertisers looked at the size and demographics of our user base and the traffic on our SNS platform to gauge how effectively our SNS platform could be used to reach their target customers. The number of our activated users increased from approximately 206 million as of December 31, 2013 to approximately 223 million as of December 31, 2014 and to approximately 228 million as of December 31, 2015. However, we suffered a significant drop in monthly unique log-in users in 2013 and in average amount of time that unique log-in users spent on our platform in 2014. Our monthly unique log-in users increased from approximately 45 million in December 2013 to approximately 46 million in December 2014 and then decreased to approximately 41 million as of December 2015. The average amount of time that unique log-in users spent on our platform decreased from approximately 7.7 hours in 2013 to approximately 4.0 hours in 2014 and to approximately 1.8 hours in 2015. These decreases in usage are primarily due to intense competition in the mobile internet environment, where there are numerous mobile applications dedicated to meet the specific needs of different users.

Meanwhile, the migration of our user traffic from PC to mobile made it more difficult for us to monetize our user traffic. The mobile percentage of our monthly total user time spent on *renren.com* grew from 79.2% in December 2013 to 87.9% in December 2014 but then decreased to 68.6% in December 2015. To date, advertisers have spent considerably less money advertising on mobile devices as compared to advertising on personal computers, due to the limited screen size of mobile devices and the under-developed measurement and tracking services for mobile advertising, and we did not begin monetizing through advertising until towards the end of the 2013. As a consequence, the number of our brand advertisers and annual spending by our brand advertisers have both decreased in recent years. The number of our brand advertisers was 189, 139 and 72 in 2013, 2014 and 2015, respectively, while annual spending by our brand advertisers was approximately US\$193,000, US\$179,000 and US\$118,000 million in 2013, 2014 and 2015, respectively.

Due to the rapidly evolving nature of both the online advertising industry and social networking websites as an advertising platform, we are generally not able to use conventional price and volume analysis in evaluating the financial performance of our online advertising services. Because we offer a variety of advertisement formats on different locations of our webpages and both the advertisement formats and webpages have changed significantly in the past few years, we do not have meaningful advertisement volume information that can be used for period to period comparison purposes. Similarly, the price for the same duration of an advertisement may change due to the location of the webpage, the location of the advertisement on the webpage and rotation frequency. In addition, because social networking mobile services and websites as an advertising platform are an emerging business model and our pricing model for our advertising services has undergone significant changes in the past several years, period to period comparisons of prices of our advertising services would not be meaningful.

The most significant factors that directly or indirectly affect our online advertising revenues include the following:

- the number of users who visit the mobile and PC versions of our social networking internet platform, and the amount of time as well as the page views spent on the mobile and PC versions of our platform;

- acceptance by advertisers of online advertising in general and real name social networking services in particular as an effective marketing channel;

- the size of total online advertising budgets of advertisers for both mobile and PC solutions;

- our ability to retain existing advertisers and attract new advertisers;

- the level of competition among companies providing social networking, social messaging and social media services;

- our ability to continue providing innovative advertising solutions that enable advertisers to reach their target audiences;

- reports by third party internet traffic tracking service providers in China, such as iResearch;

- the state of the PRC and global economy; and

- government regulations or policies affecting the internet and the SNS and online advertising businesses.

IVAS. Our Renren segment's IVAS revenues include VIP memberships, virtual items and other paid applications on *renren.com* and *woxiu.com*. Revenues generated from applications developed by third parties are subject to revenue-sharing agreements with the third-party developers.

As our Renren segment's IVAS business is comprised of several business models, and each business model has its own revenue sources, quantitative price analysis for our Renren segment's IVAS business as a whole is not practical or meaningful. Consequently, we are generally not able to use conventional average sale price analysis in evaluating the financial performance of our Renren segment's IVAS businesses.

The most significant factors that directly or indirectly affect our Renren segment's IVAS revenues include the following:

- our ability to maintain and improve revenue-sharing arrangements with third-party application developers; and
- our ability to continue to offer new VIP features on our Renren SNS platform and Woxiu that are attractive to users.

Our internet finance segment

Our internet finance segment's revenues are derived from online financial services, mainly from Renren Fenqi, an online platform which provides credit financing to college students in China through the form of payment by installments, from our used automobile financing business where we provide credit financing to used automobile dealers. We charge fees for financing service and for monthly services covering cash processing services, collection services and SMS services. For a detailed discussion of how revenues from internet finance segment are recognized in our financial statements, see “—Significant Accounting Policies—Revenue Recognition.”

The most significant factors that directly or indirectly affect our internet finance segment's revenues include the following:

- our ability to offer attractive internet finance products to users;
- our ability to maintain and improve our credit risk control system;
- competition in China's internet finance market; and
- government regulations or policies affecting internet finance businesses.

Cost of Revenues

The following table sets forth the principal components of our cost of revenues, both as absolute amounts and as percentages of our total net revenues from our continuing operations, for the periods presented.

	Years ended December 31,					
	2013		2014		2015	
	(in thousands of US\$, except for percentages)					
	US\$	%	US\$	%	US\$	%
Cost of revenues:						
Renren segment:						
Bandwidth and co-location costs	\$13,493	21.1 %	\$10,184	21.8 %	6,754	16.4 %
Salaries and benefits	1,793	2.8 %	2,557	5.5 %	526	1.3 %
Direct advertisement costs	691	1.1 %	1,391	3.0 %	1,436	3.5 %
Commission costs	7,799	12.2 %	11,274	24.2 %	15,697	38.2 %
Other expenses	9,194	14.4 %	9,157	19.6 %	5,319	12.9 %
Sub-total	32,970	51.6 %	34,563	74.1 %	29,732	72.3 %
Internet finance segment:						
Bandwidth and co-location costs	\$—	—	\$15	0.0 %	122	0.3 %
Salaries and benefits	—	—	29	0.1 %	422	1.0 %
Provision of financing receivable	—	—	—	—	3,632	8.8 %
Internet finance related costs	—	—	36	0.1 %	2,573	6.3 %
Other expenses	—	—	20	0.0 %	239	0.6 %
Sub-total	—	—	100	0.2 %	6,988	17.0 %

Total cost of revenues	\$32,970	51.6%	\$34,663	74.3%	36,720	89.3%
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Our Renren segment

Cost of revenues for our Renren segment consists primarily of bandwidth and co-location costs, salaries and benefits, direct advertisement costs and commission costs.

Bandwidth and co-location costs. Bandwidth and co-location costs are the fees we pay to telecommunications carriers and other service providers for telecommunications services and for hosting our servers at their internet data centers. Bandwidth and co-location costs are a significant component of our cost of revenues.

Salaries and benefits. Salaries and benefits primarily consist of salaries and welfare benefits for employees whose services are directly related to the generation of revenues.

Direct advertisement costs. Direct advertisement costs include design, development and certain other costs incurred by third parties with whom we have contracted to provide certain services relating to our online advertising services. For example, if an advertiser places an advertisement on our *renren.com* website and we contract with a third party to provide technical assistance and design support for placing the advertisement, the fees paid to this third party are classified as direct advertisement costs.

Commission costs. Commission costs primarily consist of commissions that were paid to Woxiu performers. Such commissions were calculated as a percentage of the revenues we generate from the sales of virtual items that fans of the performers have purchased.

Other expenses. Other expenses primarily include depreciation and content costs. Depreciation expenses primarily consist of the depreciation of servers and other equipment. We include depreciation expenses for servers and other equipment that are directly related to our business operations and technical support in our cost of revenues. Content costs consist of fees we pay to license content from copyright owners or content distributors.

Our internet finance segment

Bandwidth and co-location costs. Bandwidth and co-location costs of our internet finance segment primarily consist of the fees we pay to telecommunications carriers for hosting of servers.

Salaries and benefits. Salaries and benefits of our internet finance segment primarily consist of expenses for employees whose services are directly related to the operation of our internet finance services.

Provision of financing receivable. The provision of financing receivable is accrued when we believe that the future collection of principal is unlikely. We consider the credit worthiness of the customers, aging of the outstanding receivable and other specific circumstances related to the receivable when determining the allowance for receivable losses.

Internet finance related costs. Internet finance related costs primarily consist of interest expenses paid to investors on Renren Licai.

Other expenses. Other expenses of our internet finance segment mainly include rental expense and depreciation and amortization for servers and equipment that are directly related to the internet finance services.

Operating Expenses

Our operating expenses consist of selling and marketing expenses, research and development expenses, general and administrative expenses, impairment of intangible assets and impairment of goodwill. The following table sets forth our operating expenses for continuing operations, both as absolute amounts and as percentages of our total net revenues, for the periods indicated.

	Years ended December 31,					
	2013		2014		2015	
	(in thousands of US\$, except for percentages)					
	US\$	%	US\$	%	US\$	%
Operating Expenses:						
Selling and marketing	\$43,166	67.4 %	\$34,593	74.1 %	\$30,502	74.2 %
Research and development	54,716	85.4 %	42,697	91.5 %	32,392	78.8 %
General and administrative	38,021	59.4 %	48,764	104.5 %	46,803	113.8 %
Impairment of goodwill	—	—	46,864	100.4 %	—	—
Total operating expenses	\$135,903	212.2 %	\$172,918	370.5 %	\$109,697	266.8 %

Our selling and marketing expenses, research and development expenses and general and administrative expenses include share-based compensation charges. See “—Critical Accounting Policies—Share-Based Compensation” for more information.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, benefits and commissions for our sales and marketing personnel and advertising and promotion expenses. Compared with 2015, our selling and marketing expenses may increase in the near term if we plan to increase our promotion expenses for our Renren brand, our live streaming service and our internet finance services.

Research and development expenses

Research and development expenses consist primarily of salaries and benefits for research and development personnel. Our research and development expenses decreased substantially in 2015 due mainly to the headcount reduction for our Renren development teams. Our research and development expenses may increase in the near term on an absolute basis as we intend to hire additional research and development personnel to develop new features for our various services and further improve our technology infrastructure.

General and administrative expenses

General and administrative expenses consist primarily of salaries and benefits for our general and administrative personnel and fees and expenses for third-party professional services. Our general and administrative expenses may increase in the future on an absolute basis as our business grows.

Impairment of goodwill

As the declining performance of our Renren reporting unit indicated an impaired goodwill, we performed an interim impairment test in September 2014 and recorded an impairment of goodwill of the Renren reporting unit, which included 56.com, of US\$46.9 million. We had no impairment of goodwill in 2015.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

PRC

All entities and individuals that engage in the provision of services, the transfer of intangible assets or the sale of real properties within the PRC are required to pay PRC business tax. Currently, we are subject to a 5.6% to 8.6% business tax on gross revenue generated from IVAS, online advertising and social commerce services, plus related surcharges.

On January 1, 2012, the Ministry of Finance and the State Administration of Taxation introduced a pilot plan for the imposition of a value-added tax to replace the business tax. This pilot plan was first launched in Shanghai and subsequently was expanded to ten other provinces and municipalities, between August and December of 2012. As of December 31, 2015, certain of our subsidiaries and consolidated affiliated entities based in Beijing, Guangzhou and Shanghai have been required by local tax authority to pay value-added tax at a rate of 6.72% to 6.78% on certain service revenues which were previously subject to business tax.

The Enterprise Income Tax Law applies a uniform enterprise income tax rate of 25% to all domestic enterprises and foreign-invested enterprises and defines new tax incentives for qualifying entities. Dividends, interests, rent or royalties paid by a PRC entity to foreign non-resident enterprise investors, and proceeds from the disposition of assets by such foreign enterprise investors, will generally be subject to a 10% withholding tax.

On March 31, 2009, Qianxiang Wangjing, one of our consolidated affiliated entities, was qualified as a “software enterprise” by the Beijing Municipal Commission of Science and Technology. According to such qualification, Qianxiang Wangjing was eligible for certain preferential tax treatments, including a two-year exemption and three-year 50% reduction on its annual enterprise income tax starting from the first year when it generated profits, which was 2009. Qianxiang Wangjing did not qualify for renewal of such qualification and accordingly the preferential tax treatments ceased in 2013. This preferential tax treatment benefited us by reducing our income tax charge by US\$1.4 million and nil in 2011 and 2012 respectively. From tax year 2013 onward, Qianxiang Wangjing is subject to income tax at the standard rate of 25%. Qianxiang Changda had been qualified as a “software enterprise” by the Shanghai Municipal Commission of Science and Technology and, accordingly, was exempt from enterprise income tax rate in 2011 and 2012. In 2013 Qianxiang Changda did not qualify for renewal of this qualification and accordingly will not continue to be entitled to the tax reduction of 50% for 2013, 2014 and 2015. This preferential tax treatment benefited us by reducing our income tax charge by US\$2.8 million in 2011 and US\$9.8 million in 2012.

Under the Enterprise Income Tax Law, an enterprise established outside of the PRC with “de facto management bodies” located within the PRC is considered a PRC resident enterprise and therefore will be subject to a 25% PRC enterprise income tax on its global income. The implementation rules define “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” In addition, SAT Circular 82 treats a Chinese-controlled enterprise established outside of China as a PRC resident enterprise with “de facto management bodies” located in the PRC for tax purposes where all of the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily production or business operations are located in the PRC; (ii) its financial and human resource decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (iv) more than half of the enterprise’s board members with voting rights or senior management habitually reside in the PRC. In addition, the State Administration of Taxation issued a bulletin effective September 1, 2011 to provide more guidance on the implementation of the above circular. The bulletin made clarification in the areas of resident status determination, post-determination administration and competent tax authorities. It also specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals. Despite the uncertainties resulting from limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises under the Enterprise Income Tax Law. If we were considered a PRC resident enterprise for tax purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our global income for the period after January 1, 2008. Given that Circular 82 was issued regarding overseas enterprises controlled by PRC enterprises (not those controlled by PRC individuals), it is not strictly applicable to us. As of December 31, 2015, we had not accrued reserves for PRC tax on such basis.

Discontinued Operations

In October 2013, Baidu Holdings Limited, a subsidiary of Baidu, Inc., acquired approximately 59% of the equity interest of Nuomi Holdings Inc., or Nuomi, a wholly-owned subsidiary of ours and a leading provider of group-buying services in China. In December 2014, Tianjin Jinhua Culture Development Co., Ltd, a subsidiary of Sohu.com Inc., acquired 100% of the equity interest of Qianjun Technology, a wholly-owned subsidiary of ours and operator of the 56.com website. In November 2015, our board of directors approved the disposition of our online games business as part of our change in strategic direction to focus more on our internet finance business. We disposed of our entire online games business in March 2016. As a result, our financial statements now reflect the deconsolidation of Nuomi's, Qingting's, Qianjun Technology's and our online games business's operating results. Retrospective adjustments to the historical statement of operations have also been made to provide a consistent basis of comparison for the financial results. Specifically, Nuomi's, Qingting's, Qianjun Technology's and our online games business's operational results have been excluded from our financial results from continuing operations and have been separately reclassified to discontinued operations.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, contingent assets and liabilities and net revenues and expenses. We regularly evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and other factors that we believe to be relevant under the circumstances. Since our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from what we expect. This is especially true with some accounting policies that require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment.

Revenue Recognition

Historically, we have generated revenues primarily through online games, online advertising, our online social video platform and social commerce. Our social commerce services and online advertising services generated on our online social video platform have been discontinued after our deconsolidation of Nuomi and Qianjun Technology. Our online game services have been discontinued since we reclassified our online games business as held for sale in 2015. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

Online advertising

Pursuant to advertising contracts, we provide advertisement placement services on our SNS platform and in our online games. We primarily enter into pay-for-time contracts, pursuant to which we bill our customers based on the period of time to display the advertisements in the specific formats on specific web pages. In recent years we have entered into pay-for-volume arrangements, pursuant to which we bill our customers based on the number of impressions or click-throughs that we deliver.

For pay-for-time contracts revenues are recognized ratably over the period the advertising is provided. Pay-for-volume contracts revenues are recognized based on traffic volume tracked and the pre-agreed unit price. Contractual billings in excess of recognized revenue and payments received in advance of revenue recognition are recorded as deferred revenues.

We enter into advertising placement contracts with advertisers, or more frequently, with the advertisers' advertising agents, and we offer volume rebates to certain advertisers' advertising agents. We treat these advertising agents as our customers and our advertising revenues are recognized after deducting the estimated rebates. An estimate of the total rebate is based on the estimates of the sales volume to be reached based on our historical experience. If amounts of future rebates cannot be reasonably estimated, a liability will be recognized for the maximum potential amount of the rebates.

Online talent show revenue (“Woxiu”)

“Woxiu,” which translates into “a show of your own” in Chinese, is a virtual stage that we initially offered on our 56.com platform and now offer on our Renren platform following the completion of the disposition of 56.com, where grassroots musicians and performers can live-stream their performances and share them with viewers. Fans of the performing user can chat along with the performer and other live audience and purchase consumable virtual items to show support for the performer.

All “Woxiu” live video shows are available free of charge and fans can purchase virtual items or features on the platform with virtual currency to support their favorite performers. Our operation system keeps track of the virtual currency consumed and deducts it from users’ accounts automatically when the virtual currency is deemed as consumed. Revenue is recognized monthly based on the virtual currency consumed. We pay the performers a certain percentage of the amount of virtual currency consumed. We recognize the total revenue on a gross basis, and the commission paid to the performers is recorded as cost of revenues. Similar to revenues from online game, we calculate the amount of revenues recognized for each unit of virtual currency consumed using the moving weighted average method by dividing the total cumulative unrecognized deferred revenues by total unconsumed virtual currency.

Internet finance services

We generate revenue from our internet finance services business primarily through financing provided to college students through the form of payment by installments on Renren Fenqi. Additionally, we also provide credit financing to used automobile dealers. We record financing income and service fees related to those services over the life of the underlying financing using the effective interest method on unpaid principal amounts. The service fees collected upfront, as well as the direct origination costs for the financing, are deferred and recognized as financing income as an adjustment to the yield on a straight line basis over the life of the portfolio financing.

- Financing for installment sales to college students

We provide financing services to college students on installment sales, through which students can purchase products online on Renren Fenqi or from other third-party online merchants through the Renren Fenqi platform and make payments on a monthly basis in 1 to 24 installments. We charge fees earned on the financing. For products purchased by students from other third party online merchants, products are sold directly by those merchants. We do not purchase inventory and are not responsible for providing any services or warranties to the student once sales are made. We are acting as an agent and thus, record the related financing fees ratably over the life of the underlying financing.

For products purchased by students from Renren Fenqi, we purchase the related goods from suppliers and have determined that we are merely acting as an agent facilitating the transactions between the students and sellers. Specifically, we are not responsible for providing any post-sale support to the students and are not able to make any changes to the product. As such, revenue related to the product sales is recorded net of the related cost and we record the related financing fees charged to the students ratably over the life of the underlying financing.

- Used car financing

We provide short-term financing services to used car dealers through one of our subsidiaries with a financial lease license to fund the car dealers' cash needs for used car purchasing. The financing period is no more than 3 months. The financing is secured by a pledge of the dealer's used cars with total value exceeding the principal of the financing. We charge an upfront service fee as well as financing income on a monthly basis.

- Other financing

We provide rental financing service to individuals who are referred by the apartment agents and need funds to make lump sum down payments to the apartment agents for a favorable discount of rental fee, as well as micro cash financing services to college students to fund their short-term consumption within a period of no more than 6 months. We generally charge financing income and service fee on a monthly basis.

In addition to the service fee charged for the above financing services, we also receive fees contingent on future events, mainly penalty fee for late repayment of the financing. Those contingent fees were immaterial for all periods presented.

Online games

In November 2015, our board of directors approved the disposition of our online game business. The disposition was subsequently completed in March 2016.

We generate revenue from the provision of online games, particularly cross-platform and web-based online games. Our games can be accessed and played by end users free of charge, and the end users may choose to purchase in-game virtual merchandise or premium features to enhance their game-playing experience using virtual currency. The end users can purchase virtual currency by making direct online payments to us through third-party online payment platforms or purchasing online prepaid cards. Net proceeds received from these service providers after deduction of service fees are recorded initially as deferred revenues. We sell online prepaid cards through distributors across China with sales discounts from the face value offered by us. As we do not have control over and generally do not know the ultimate selling price of the online prepaid cards sold by the distributors, net proceeds received from distributors after deduction of sales discounts are recorded as deferred revenues. End users consume the virtual currency for in-game merchandise or premium features sold.

We categorize in-game merchandise or premium features as either consumptive or permanent. For the consumptive in-game merchandise or premium features, revenues are recognized when the in-game merchandise or premium features are first used by the end users. For the permanent in-game merchandise or premium features, revenues are recognized ratably over the estimated average playing period of paying players for each applicable game, which represents our best estimate of the estimated average life of permanent in-game merchandise or premium features.

In estimating the average playing period of paying players for each applicable game, we consider the charging data, which are affected by various factors such as acceptance and popularity of the game, the game updates and other in-game items, promotional events launched, future operating strategies and market conditions. Given the short operating history of our online games, the estimated average playing period of paying players for each applicable game may not accurately reflect the actual lives of the permanent in-game merchandise or premium features in that game. We review, at least annually, the average playing period of paying players for all applicable games to determine whether the estimated lives for permanent in-game merchandise or premium features remain reasonable. Based on our latest review, such estimated lives remain reasonable and have not changed significantly over time. We may revise our estimates as it continues to collect operating data, and refine the estimation process and results accordingly. All paying players' data in an applicable game collected since the launch date of such game are used to perform the relevant assessment for that applicable game.

If there is insufficient player data to determine the average playing period of players for an applicable game, such as in the case of a newly launched game, we estimate the average playing period of paying players based on other similar games we or third parties operate, taking into account the game profile, the target audience and the appeal to paying players of different demographics, until sufficient data is collected, which is normally up to 12 months after launch.

We are not able to track on an individual basis the virtual currency purchased by our users at various prices. Accordingly, we calculate the amount of revenues recognized for each game point consumed using a moving weighted average method, by dividing the sum of the payments received in the current month and the deferred revenue balance as of the beginning of the month by the sum of number of the units of the virtual currency purchased by the end users in the current month and the units unconsumed by the end users as of the beginning of the month.

An example calculation of the application of the moving weighted average method is as follows:

We sell a pre-paid card with a face value of 100 units of virtual currency through a distributor at a price of US\$80 and sell another 100 units virtual currency through direct on-line payment at a price of US\$100. There is no unused virtual currency or deferred revenues outstanding as of the beginning of the period. During the period, the game players completely used 150 units of virtual currency, and the computation of the revenues recognized by the application of the moving weighted average method is as follows:

	Units of virtual currency	Amount in US\$	
Outstanding units/deferred revenues as of beginning of the period	— A	—	B
Sales during the period	200 C	US\$180(US\$80+US\$100)	D
Moving weighted average unit price for the period		US\$0.9	$E=(B+D)/(A+C)$
Units used/revenues recognized in the period	150 F	US\$135	$G=E \times F$
Outstanding units/ deferred revenues as of ending of the period	50 $H=A+C -F$	US\$45	$I=B+D -G$

The deferred revenues in relation with the inactivated online prepaid cards are recognized as revenues when the term of the online prepaid card expires, which is normally two years from the date of purchase. The amount associated with the unused virtual currency, which are without contractual expiration term, are carried as deferred revenues indefinitely as we are not able to reasonably estimate the amount of virtual currency which will be ultimately given up by the users due to our short operating history.

We have also entered into revenue sharing agreements with certain third-party game developers, under which we promote and provide links to the online games developed by these third-party developers on our platforms while the third-party game developers operate the games, which includes providing game software, hardware, technical support and customer services. All of the web games developed by third-party game developers can be accessed and played by game players on our platforms without downloading separate software. We view the game developers to be our customers and consider our responsibility under such agreements to be that of distribution and payment collection for such games. We primarily collect payments from game players in connection with the sale of in-game currencies and remits certain agreed-upon percentages of the proceeds to the game developers with the residual portion of such proceeds deferred for revenue recognition until the estimated consumption date, (i.e., the estimated date by which in-game currencies are consumed within the games for purchase of in-game merchandise or premium features), which is typically within a short period of time after purchase of the in-game currency. Purchases of in-game currency are not refundable unless there is unused in-game currency at the time a game is discontinued. Typically, a game will only be discontinued when the monthly revenue generated by a game is insignificant.

Social commerce

Between June 2010 and October 2013, we were engaged in social commerce services through Nuomi. Third-party merchants agree to provide Nuomi users discounted prices when pre-agreed amount of Nuomi users sign up for a deal consisting of services events or products provided by the merchants. We recognize revenue for the difference of the amounts we collect from Nuomi users and the amount we pay to the third-party merchants. The revenues are recognized when all of the following criteria are met: (i) the number of participating users reaches the minimum requirement of the merchants; (ii) the participating users have made their payments to us; (iii) we have released the electronic coupons for the agreed discounted prices to the participating users; and (iv) the electronic coupons have been consumed by the participating users. The payments received for unused coupons are initially recognized as other accounts payables and are recognized as revenues when the above criteria have been met. Due to Nuomi's customer service policies that enabled participating users to a full cash refund within seven days of purchasing a coupon or if the quality of the products or services provided by the third-party merchants did not meet the descriptions of the products or services provided by the third-party merchants on our Nuomi website, or that allowed participating users to deposit the payments made to us as credits for future transactions without a time limit, we recognized the revenue upon the consumption of the released coupon. We believed that we were an agent and recognized revenues on a net basis. We did not recognize the revenues for unused coupons upon their expiration, as we were not able to estimate how many users would ultimately neither use the coupon nor the credits received upon expiry of the initial unused coupon for a future purchase, and we carried all such amounts as a liability until the released coupon was ultimately used.

Goodwill and Intangible Assets

Goodwill represents the cost of an acquired business in excess of the fair value of identifiable tangible and intangible net assets purchased. We generally seek the assistance of an independent valuation firm in determining the fair value of the identifiable intangible net assets of the acquired business.

There are several methods that can be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, we typically use the income method. This method starts with a forecast of all of the expected future net cash flows associated with a particular intangible asset. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, and the assessment of the asset's economic life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory or economic barriers to entry. Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives.

Goodwill is tested for impairment at least once annually. Impairment is tested using a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

In view of the declining performance of our Renren reporting unit and the reallocating of resources to new business areas, we performed an interim impairment test of goodwill on September 30, 2014 and wrote down its carrying amount to its fair value of US\$13.7 million and recognized an impairment loss of US\$46.9 million for the year ended December 31, 2014. We test goodwill for impairment at the reporting unit level, which is the same as reportable segment. Goodwill is only associated with our "Renren" reporting unit. The following table sets forth the estimated fair value, carrying value and goodwill as of September 30, 2014.

Renren
(in millions of US\$
except for
percentages)

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Estimated fair value of total equity	(109.6)
Carrying value	(65.8)
Amount of goodwill allocated to the reporting unit	13.7	

The fair value at this interim test was determined based on the discounted cash flow or DCF method of the income approach applying assumptions including terminal growth rate of 3%, discount rate of 19% and annual risk free rate of 4%.

Upon the disposal of Qianjun Technology, which is included in our Renren reporting unit, we disposed of a certain amount of goodwill that was determined based on the relative fair value of the disposed business and the remaining portion included in our Renren reporting unit. All the remaining carrying amount of goodwill of US\$13.7 million was allocated to the disposed business and then disposed of on December 1, 2014.

Please see “Item 3.D—Key Information—Risk Factors—Risks Related to Our Business and Industry” for a discussion of risks and uncertainties that may adversely affect our growth. These risks and uncertainties, if materialized, could also have a negative effect on the estimated fair value.

Intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Such impairment test consists of the fair values of assets with their carrying value amounts and an impairment loss is recognized if and when the carrying amounts exceed the fair values. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets. During the years ended December 31, 2013, 2014 and 2015, we recorded no impairment losses from continuing operations, and impairment losses of nil, US\$13.7 million and nil, respectively, from discontinued operations, mainly related to domain names with indefinite life, since we performed an interim impairment test on intangible assets. The fair value of the intangible assets of 56.com were estimated based on the latest operating results and market conditions and such impairments were based on the fair value in impairment test. Upon the disposal of Qianjun Technology and the classification of our game business as held for sale, we allocated intangible assets related to 56.com and our game business into our discontinued operations and accordingly, we have no intangible assets as of December 31, 2015.

Intangible assets with determinable useful lives are amortized on a straight-line basis.

Estimates of fair value result from a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions at a point in time. The judgments made in determining an estimate of fair value can materially impact our results of operations. The valuations are based on information available as of the impairment review date and are based on expectations and assumptions that have been deemed reasonable by management. Any changes in key assumptions, including unanticipated events and circumstances, may affect the accuracy or validity of such estimates and could potentially result in an impairment charge.

Share-based Compensation

Our share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument we issued and recognized as compensation expense over the applicable vesting period based on the straight-line method, with a corresponding impact reflected in additional paid-in capital. Share awards issued to non-employees, such as advisors, are measured at fair value at the earlier of the commitment date or the date the service is completed and recognized over the period the service is provided.

The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in future periods.

A change in any of the terms or conditions of share options shall be accounted for as a modification of the plan. Therefore, we calculate incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, we would recognize incremental compensation cost in the period of the modification occurred and for unvested options, we would recognize, over the remaining applicable vesting period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

Volatility. The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of listed comparable companies over a period comparable to the expected term of the options.

Risk-free interest rate. Risk-free interest rate was estimated based on the yield to maturity of China Sovereign Bonds with a maturity period close to the expected term of the options.

Expected term. For the options granted to employees, we estimated the expected term based on the vesting and contractual terms and employee demographics, and we estimated the expected term as the average between the vesting term of the options and the original contractual term. For the options granted to non-employees, we estimated the expected term as the original contractual term.

Dividend yield. We estimated the dividend yield based on our expected dividend policy over the expected term of the options.

Exercise price. The exercise price of the options was determined by our board of directors.

Fair value of underlying ordinary shares. The closing market price of our ADSs (adjusted for the ratio of ordinary shares per ADS) on the grant date was used.

Income Taxes

In preparing our consolidated financial statements, we must estimate our income taxes in each of the jurisdictions in which we operate. We estimate our actual tax exposure and assess temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we include in our consolidated balance sheet. We must then assess the likelihood that we will recover our deferred tax assets from future taxable income. If we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance, we must include an expense within the tax provision in our statement of operations.

Management must exercise significant judgment to determine our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We base the valuation allowance on our estimates of taxable income in each jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. If actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish an additional valuation allowance, which could materially impact our financial position and results of operations.

U.S. GAAP requires that an entity recognize the impact of an uncertain income tax position on the income tax return at the largest amount that is more likely than not to be sustained upon audit by the relevant tax authority. If we ultimately determine that payment of these liabilities will be unnecessary, we will reverse the liability and recognize a

tax benefit during that period. Conversely, we record additional tax charges in a period in which we determine that a recorded tax liability is less than the expected ultimate assessment. We recorded no unrecognized tax benefits during the years ended December 31, 2013, 2014 and 2015.

Uncertainties exist with respect to the application of the PRC Enterprise Income Tax Law and its implementing rules to our operations, specifically with respect to our tax residency status. The Enterprise Income Tax Law specifies that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their “de facto management bodies” are located within the PRC. The Enterprise Income Tax Law’s implementation rules define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.”

Despite the uncertainties resulting from limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC constitute residents under the Enterprise Income Tax Law. If one or more of our legal entities organized outside of the PRC were characterized as PRC tax residents, the impact would adversely affect our results of operations. See “Item 3.D—Risk Factors—Risk Related to Doing Business in China—Discontinuation of any of the preferential tax treatments or imposition of any additional taxes could adversely affect our financial condition and results of operations.

Based on our analysis of the facts related to our corporate restructuring in 2005 and 2006, we do not believe that we should be treated as a United States corporation for United States federal income tax purposes. However, as there is no direct authority on how the relevant rules of the Code might apply to us, our company's conclusion is not free from doubt. Therefore, our conclusion may be challenged by the United States tax authorities and a finding that we owe additional United States taxes could substantially reduce the value of your investment in our company. If the United States taxing authorities successfully treated our company as a United States domestic corporation, our company would be subject to United States federal income tax on its worldwide taxable income as if it were a United States corporation. For more information, please refer to "Item 3.D—Risk Factors—Risks Related to Our Corporate Structure and the Regulation of Our Business—If we are required to pay U.S. taxes, the value of your investment in our company could be substantially reduced."

Consolidation of variable interest entity

PRC laws and regulations currently prohibit direct foreign ownership of business entities providing value-added telecommunications services in the PRC where certain licenses are required for the provision of such services. To comply with the PRC laws and regulations, we conduct substantially all of our business through our variable interest entities and their subsidiaries. We have, through one of our wholly owned subsidiaries in the PRC, entered into contractual arrangements with Qianxiang Tiancheng such that Qianxiang and its subsidiaries are considered as our variable interest entities for which we are considered their primary beneficiary. We believe we have substantive kick-out rights per the terms of the equity option agreements, which gives us the power to control the shareholder of these entities. More specifically, we believe that the terms of the exclusive equity option agreements are currently exercisable and legally enforceable under PRC laws and regulations. Therefore, we believe this gives us the power to direct the activities that most significantly impact the economic performance of these entities and their subsidiaries. We believe that our ability to exercise effective control, together with the service agreements and the equity interest pledge agreements, give us the rights to receive substantially all of the economic benefits from these entities and their subsidiaries in consideration for the services provided by our wholly owned subsidiaries in China. Accordingly, as the primary beneficiary of these entities and in accordance with U.S. GAAP, we consolidate their financial results and assets and liabilities in our consolidated financial statements.

Based on the advice of TransAsia Lawyers, our PRC legal counsel, our corporate structure in China complies with all existing PRC laws and regulations. However, our PRC legal counsel has also advised us that as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, we cannot assure you that the PRC government would agree that our corporate structure or any of the above contractual arrangements comply with current or future PRC laws or regulations. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

Short-term investments

The short-term investments comprise marketable securities which are classified as trading and available-for-sale, and derivative financial instruments that are regarded as assets. The available-for-sale investments are reported at fair values with the unrealized gains or losses recorded as accumulated other comprehensive income in equity. Short-term investments with contractual maturity dates less than one year are classified as held-to-maturity measured at amortized costs when we have the positive intent and ability to hold the securities to maturity. The derivative financial instruments that are treated as assets are measured at fair value. The changes in fair value of those derivative instruments are recognized as gain or loss if such derivative instruments are not qualified for hedge accounting.

We review the available-for-sale investments for other-than-temporary impairment based on the specific identification method. We consider available quantitative and qualitative evidence in evaluating the potential impairment of the short-term investments. If the cost of an investment exceeds the investment's fair value, we consider, among other factors, general market conditions, expected future performance of the investees, the duration and the extent to which the fair value of the investment is less than the cost, and our intent and ability to hold the investment. We separate the amount of the other-than-temporary impairment into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings, which represents the difference between a security's amortized cost basis and the discounted present value of expected future cash flows. The amount due to other factors is recognized in the consolidated statements of comprehensive income (loss) if we neither intend to sell and will not more likely than not be required to sell the security before recovery. The difference between the amortized cost basis and the cash flows expected to be collected is accreted as interest income. We recognized US\$2.1 million, nil and nil million impairment losses on short-term investments for the years ended December 31, 2013, 2014 and 2015, respectively.

Long-term investments

Equity method investments. Investment in common stock or in-substance common stock of an entity where we can exercise significant influence, but not control, is accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted for our share of undistributed earnings or losses of the investee. Investment losses are recognized until the investment is fully written down as we do not guarantee the investee's obligations nor it is committed to provide additional funding. When our carrying value in an equity method affiliated company is reduced to zero, no further losses are recorded in our consolidated financial statements unless we guaranteed obligations of the affiliated company or have committed additional funding. When the affiliated company subsequently reports income, we will not record its share of such income until it exceeds the amount of its share of losses not previously recognized. We regularly evaluate the impairment of the equity investment based on performance and the financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financings, projected and historical financial performance, cash flow forecasts and financing needs. An impairment charge is recorded when the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary. We recognized US\$23.0 million, nil and US\$4.3 million in impairment losses on equity method investments for the years ended December 31, 2013, 2014 and 2015, respectively.

Warrants and purchased call options. Warrants and purchased call options represent financial instruments purchased by us to acquire additional equity interest if the counterparties fulfilled certain conditions during certain period of time. The warrants and purchased call options are recorded at fair value at the acquisition date and carried at cost less impairment.

Cost method investments. For investments in an investee over which we do not have significant influence and which are not considered debt securities or equity securities that have readily determinable fair values, we carry the investment at cost and recognize income as any dividends declared from distribution of investee's earnings. We review the cost method investments for impairment whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. An impairment loss is recognized in earnings equal to the difference between the investment's cost and its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value of the investment would then become the new cost basis of the investment.

Held-to-maturity investment. Held-to-maturity investment includes debt securities that we purchased from Sofi Lending Corp., which will mature on July 3, 2032 and have a fixed annual interest rate of 4%. We have the positive intent and ability to hold the securities to maturity. Our held-to-maturity investment is classified as long-term investments on the consolidated balance sheets based on their contractual maturity dates and are stated at their amortized costs.

Available-for-sale investments. Our investments in convertible redeemable preferred shares and convertible debt are classified as available-for-sale investments which are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income.

Accounts and notes receivables and allowance for doubtful accounts

Accounts receivable represents those receivables derived in the ordinary course of business from continuing operations which mainly consists of online advertising services and IVAS. Notes receivables are bank accepted drafts related to trade receivables of advertising revenue with a maturity less than six months. An allowance for doubtful accounts is provided based on aging analyses of accounts receivable balances, historical bad debt rates, repayment patterns and customer credit worthiness. No allowance is recorded for notes receivables as such balance are secured by the acceptance of the bank.

Financing receivable

Financing receivable represents receivables derived from the internet finance business. Financing receivable is recorded at amortized cost, reduced by a valuation allowance estimated as of the balance sheet dates. The amortized cost of a financing receivable is equal to the unpaid principal balance, plus net deferred origination costs. Net deferred origination costs are comprised of certain direct origination costs, net of origination fees received. Origination fees include fees charged to the individuals or companies that increase the financing's effective yield. Direct origination costs in excess of origination fees received are included in the financing receivable and amortized over the financing term using the effective interest method. Financing origination costs are limited to direct costs attributable to originating the financing, including commissions and personnel costs directly related to the time spent by those individuals performing activities related to the origination.

Due to limitations imposed by PRC laws and regulations, we appointed a senior management member to act as an intermediary to facilitate certain financing services for our internet finance business. Under our business model, this intermediary is acting as an agent for us. As noted above, we provide the funds that are loaned to individuals and companies in our internet finance business and we agree to take all the risk arising from potential breaches of agreement by the individuals or the companies receiving financing. Additionally, the intermediary's role is restricted to signing agreements with individuals and companies receiving financing and with investors, and the intermediary has no obligation to make any repayment to the investors once the creditors' rights are transferred. Consequently, the intermediary never puts his own funds at risk and bears no risk in the arrangement and is considered an agent.

Allowance for financing receivable

An allowance for financing receivable is established through periodic charges to the provision for financing receivable losses when we believe that the future collection of principal is unlikely. Subsequent recoveries, if any, are recorded as credits against the allowance. We evaluate the creditworthiness of our portfolio based on a pooled basis due to the composition of homogeneous financing with similar size and general credit risk characteristics for similar financing businesses. We consider the creditworthiness of the individuals and the companies receiving financing, aging of the outstanding financing receivable and other specific circumstances related to the financing when determining the allowance for financing receivable. The allowance is subjective as it requires material estimates including such factors as known and inherent risks in the financing portfolio, adverse situation that may affect the ability of the individuals and the companies receiving financing to repay and current economic conditions. Recovery of the carrying value of financing receivable is dependent to a great extent on conditions that are beyond our control.

Nonaccrual financing receivable

Financing income is calculated based on the contractual rate of the financing and recorded as financing income over the life of the financing using the effective interest method. Financing receivables are placed on non-accrual status upon reaching 90 days past due for those arising from financing for installment sales and apartment rental financing, or when reasonable doubt exists as to the full, timely collection of the financing receivable. When a financing receivable is placed on non-accrual status, we stop accruing financing income. The financing receivable is returned to accrual status if the related individual or company has performed in accordance with the contractual terms for a reasonable period of time and, in our judgment, will continue to make period principal and financing income payments as scheduled.

Transfer of financial instruments

Sales and transfers of financial instruments are accounted under authoritative guidance for the transfers and servicing of financial assets and extinguishment of liabilities.

Through Renren Licai, we identify individual investors and transfers creditors' rights originated from the aforementioned financing services to the individual investors. We further offer different investment periods to investors ranging from 3 to 12 months with various annual interest rates while those credit rights are held by the investors. The terms of the sales require us to repurchase those creditors' rights from investors prior to or upon the maturity of the investment period. As a result, the sales of those creditors' rights are not accounted for as a sale and remain on our consolidated balance sheet and are recorded as payable to investors in our consolidated balance sheet.

Accounting Pronouncements Newly Adopted

In April 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update (“ASU”) 2014-08, which amends the definition of a discontinued operation in ASC 205-20 and requires entities to provide additional disclosures about discontinued operations as well as disposal transactions that do not meet the discontinued-operations criteria. The new guidance eliminates the second and third criteria of discontinued operation in ASC 205-20-45-1 and instead requires discontinued-operations treatment for disposals of a component or group of components that represents a strategic shift that has or will have a major impact on an entity’s operations or financial results. The ASU also expands the scope of ASC 205-20 to disposals of equity method investments and businesses that, upon initial acquisition, qualify as held for sale. The ASU also requires entities to reclassify assets and liabilities of a discontinued operation for all comparative periods presented in the statement of financial position and requires entities to disclose additional information in the statement of cash flow related to discontinued operations.

The ASU is effective prospectively for all disposals (except disposals classified as held for sale before the adoption date) or components initially classified as held for sale in periods beginning on or after December 15, 2014. Early adoption is permitted. We adopted this ASU on January 1, 2015 and the effects of the pronouncement have been reflected in the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-06, which clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this ASU is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. For public business entities, the amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. An entity should apply the amendments in this ASU on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. We adopted this guidance early and assessed the embedded call and put options in our debt obligations in accordance with the four-step decision sequence.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued, ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The guidance substantially converges final standards on revenue recognition between the FASB and the International Accounting Standards Board providing a framework on addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract (s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In August 2015, FASB issued its final standard formally amending the effective date of the new revenue recognition guidance. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, which requires that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation—Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted.

Entities may apply the amendments in this ASU either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this ASU as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. In addition, if retrospective transition is adopted, an entity may use hindsight in measuring and recognizing the compensation cost. We do not expect the adoption of this guidance will have a

significant effect on its consolidated financial statements.

In November 2015, the FASB issued a new pronouncement which changes how deferred taxes are classified on organizations' balance sheets. The ASU eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The amendments apply to all organizations that present a classified balance sheet. For public companies, the amendments are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. We do not expect the adoption of this guidance will have a significant effect on its consolidated financial statements.

In January, 2016, the FASB issued a new pronouncement which is intended to improve the recognition and measurement of financial instruments. The ASU affects public and private companies, not-for-profit organizations, and employee benefit plans that hold financial assets or owe financial liabilities.

The new guidance makes targeted improvements to existing U.S. GAAP by:

Requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income;

Requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes;

Requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements;

Eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities;

Eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and

Requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as “own credit”) when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new guidance permits early adoption of the own credit provision. We are in the process of evaluating the impact of adoption of this guidance on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the

lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We are currently evaluating the impact on our consolidated financial statements of adopting this guidance.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718). The new guidance simplifies certain aspects related to income taxes, statement of cash flows, and forfeitures when accounting for share-based payment transactions. This new guidance will be effective for our company for the first reporting period beginning after December 15, 2016, with earlier adoption permitted. Certain of the amendments related to timing of the recognition of tax benefits and tax withholding requirements should be applied using a modified retrospective transition method. Amendments related to the presentation of the statement of cash flows should be applied retrospectively. All other provisions may be applied on a prospective or modified retrospective basis. We are in the process of evaluating the impacts of the adoption of this ASU.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated. Our business has evolved rapidly in recent years. We believe that period-to-period comparisons of our results of operations should not be relied upon as indicative of future performance.

	Year ended December 31,		
	2013	2014	2015
	(in thousands of US\$)		
Net revenues:			
Renren segment:			
Online advertising	\$41,575	\$26,894	\$9,720
Other IVAS	22,475	19,747	22,787
Renren segment	64,050	46,641	32,507
Internet finance segment	—	27	8,604
Total net revenues	64,050	46,668	41,111
Cost of revenues	32,970	34,663	36,720
Gross profit	31,080	12,005	4,391
Operating expenses:			
Selling and marketing	43,166	34,593	30,502
Research and development	54,716	42,697	32,392
General and administrative	38,021	48,764	46,803
Impairment of goodwill	—	46,864	—
Total operating expenses	135,903	172,918	109,697
Loss from operations	104,823	160,913	105,306
Other income (expenses)	979	(1,352)	(6,884)
Exchange gain (loss) on offshore bank accounts	1,476	(2,277)	(174)
Interest income	12,769	12,569	2,190
Interest expense	—	—	(2,041)
Realized gain (loss) on short-term investments	56,022	139,265	(98,112)
Impairment of short-term investments	(2,098)	—	—
Impairment of equity method investments	(23,025)	—	(4,258)
Loss before provision of income tax and earnings (loss) in equity method investments and noncontrolling interest, net of income taxes	(58,700)	(12,708)	(214,585)
Income tax benefit (expenses)	3,959	(6,517)	(3,124)
Loss before earnings (loss) in equity method investment, net of income taxes	(54,741)	(19,225)	(217,709)
Earnings (loss) in equity method investment, net of income taxes	20,317	49,015	(5,468)
Income (loss) from continuing operations	(34,424)	29,790	(223,177)
Discontinued operations:			
Income (loss) from the operations of the discontinued operations, net of income taxes	(34,600)	(27,194)	1,520
Gain on deconsolidation of the subsidiaries, net of income taxes	132,665	489	—
Gain on disposal of equity method investment, net of income taxes	—	56,993	—

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Income (loss) on discontinued operations, net of income taxes	98,065	30,288	1,520
Net income (loss)	63,641	60,078	(221,657)
Net loss attributable to the noncontrolling interest	92	382	1,529
Net income (loss) from continuing operations attributable to Renren Inc.	(34,332)	30,172	(221,648)
Net income (loss) from discontinued operations attributable to Renren Inc.	98,065	30,288	1,520
Net income (loss) attributable to Renren Inc.	\$63,733	\$60,460	\$(220,128)

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net revenues. Our net revenues decreased by 11.9% from US\$46.7 million in 2014 to US\$41.1 million in 2015. This decrease was due to a 30.3% decrease in the net revenues of our Renren segment and the increase in the net revenues of our internet finance segment.

Renren segment. Our Renren segment's net revenues decreased by 30.3% from US\$46.6 million in 2014 to US\$32.5 million in 2015. The decrease in our Renren segment's net revenues was primarily due to the decrease in online advertising revenue, partially offset by an increase in IVAS revenue. Online advertising revenues decreased by 63.9% from US\$26.9 million in 2014 to US\$9.7 million in 2015. The continuing migration of our traffic from PC to mobile has caused the vast majority of our Renren users' time on our SNS service to be spent on mobile. Further, Chinese advertisers have, to date, spent considerably less money advertising on mobile devices as compared to advertising on personal computers due to the limited screen size of mobile devices and the under-developed measurement and tracking services for mobile advertising. This shift of user traffic, coupled with intensifying competition, has had an adverse impact on our online advertising revenues. The number of our monthly unique log-in users decreased from 46 million in December 2014 to 41 million in December 2015 and the average amount of time that unique log-in users spent on our platform decreased from approximately 4.0 hours in 2014 to approximately 1.8 hours in 2015. The number of our brand advertisers decreased from 139 in 2014 to 72 in 2015, and the average annual spending by our brand advertisers decreased from approximately US\$179,000 in 2014 to approximately US\$118,000 in 2015. Our Renren segment's IVAS revenues increased by 15.4% from US\$19.7 million in 2014 to US\$22.8 million in 2015, primarily due to an increase of online talent show revenue.

Internet finance segment. Our internet finance segment revenues increased from US\$0.03 million in 2014 to US\$8.6 million in 2015 as we launched our internet finance business in the fourth quarter of 2014 and provided more services in 2015. Renren Fenqi, which provides credit financing to college students in China for making purchases on e-commerce platforms, was launched in the fourth quarter of 2014. We have been providing financing service for used car dealers from the first quarter of 2015.

Cost of revenues. Our cost of revenues increased by 5.9% from US\$34.7 million in 2014 to US\$36.7 million in 2015. This increase was due to the provision for financing receivable and cost paid to the investors of our internet finance segment, partially offset by the 14.0% decrease in the cost of revenues of our Renren segment.

Renren segment. Our Renren segment's cost of revenues decreased by 14.0% from US\$34.6 million in 2014 to US\$29.7 million in 2015. The decrease was primarily due to a decrease of US\$3.5 million in depreciation costs for IT servers and a decrease of US\$3.4 million in bandwidth costs. Our bandwidth costs fell as the average number of monthly unique log-in users and the average amount of time that unique log-in users spent on our platform both declined.

Internet finance segment. Our internet finance segment's cost of revenues increased from US\$0.1 million in 2014 to US\$7.0 million in 2015 as we launched our internet finance business in the fourth quarter of 2014 and provided more services in 2015. The main components of our internet finance segment's cost of revenues are the interest paid to the investors and provision for financing receivable.

Operating expenses. Our operating expenses decreased by 36.6% from US\$172.9 million in 2014 to US\$109.7 million in 2015, primarily due to the one-time impairment charge of goodwill and partially influenced by decreased expenses in salaries and other benefits.

Selling and marketing expenses. Our selling and marketing expenses decreased by 11.8% from US\$34.6 million in 2014 to US\$30.5 million in 2015. This decrease was primarily due to a decrease of US\$5.7 million in promotional expenses.

Research and development expenses. Our research and development expenses decreased by 24.1% from US\$42.7 million in 2014 to US\$32.4 million in 2015. This decrease was primarily due to a 20.0% decrease in salaries and other benefits for research and development personnel, from US\$30.0 million in 2014 to US\$24.0 million in 2015, which was primarily due to the decrease of our research and development headcount from 656 in 2014 to 399 in 2015, as well as to a decrease in the associated rental and office facilities expenses from US\$7.7 million in 2014 to US\$5.0 million in 2015.

General and administrative expenses. Our general and administrative expenses decreased by 4.0% from US\$48.8 million in 2014 to US\$46.8 million in 2015.

Impairment of goodwill was US\$46.9 million and nil respectively in 2014 and 2015. The fair value of the goodwill of the Renren reporting unit, which included 56.com, was reviewed and estimated in September 2014 based on the operating results and market conditions at the time of the review, and we determined that such impairments were required.

Exchange (loss) gain on offshore bank accounts. We had an exchange loss of US\$0.2 million on offshore RMB deposits in 2015, compared with an exchange loss of US\$2.3 million on offshore bank deposits in 2014.

Interest income. Interest income was US\$2.2 million in 2015, as compared to interest income of US\$12.6 million in 2014. The interest income was primarily interest term deposits at commercial banks. The decrease in interest income was primarily due to the decrease in our cash and cash equivalents from US\$166.7 million as of December 31, 2014, to US\$56.2 million as of December 31, 2015, which in turn was primarily due to cash used in investments.

Interest expense. Interest expense was US\$2.0 million in 2015. The interest expense was primarily interest on loan.

Realized gain/(loss) on short-term investments. Realized loss on short-term investments was US\$98.1 million in 2015, compared to realized gain on short-term investments of US\$139.3 million in 2014. The loss in 2015 was primarily due to losses on equity-linked derivative financial instruments.

Earnings in equity method investments. Loss in equity method investments was US\$5.5 million in 2015, compared to earnings in equity method investments of US\$49.0 million in 2014. The loss in 2015 was primarily due to our investment in Social Finance, Inc. The earnings in 2014 were mainly derived from our investment in Japan Macro Opportunities Offshore Partners, LP. We disposed of the investment in Japan Macro Opportunities Offshore Partners, LP on August 24, 2015.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net revenues. Our net revenues decreased by 27.1% from US\$64.1 million in 2013 to US\$46.7 million in 2014. This decrease was due to a 27.2% decrease in the net revenues of our Renren segment.

Renren segment. Our Renren segment's net revenues decreased by 27.2% from US\$64.1 million in 2013 to US\$46.6 million in 2014. The decrease in our Renren segment's net revenues was primarily due to the decrease in its online advertising revenue, and to a lesser extent, the decrease in its IVAS revenue. Online advertising revenues decreased by 35.3% from US\$41.6 million in 2013 to US\$26.9 million in 2014. The continuing migration of our traffic from PC to mobile has caused the vast majority of our Renren users' time on our SNS service to be spent on mobile, which we did not begin monetizing through advertising until towards the end of 2013. Further, Chinese advertisers have, to date, spent considerably less money advertising on mobile devices as compared to advertising on personal computers due to the limited screen size of mobile devices and the under-developed measurement and tracking services for

mobile advertising. This shift of user traffic, coupled with intensifying competition, has had an adverse impact on our online advertising revenues. The number of our monthly unique log-in users increased slightly from 45 million in December 2013 to 46 million in December 2014 but the average amount of time that unique log-in users spent on our platform decreased from approximately 7.7 hours in 2013 to approximately 4.0 hours in 2014. The number of our brand advertisers decreased from 189 in 2013 to 139 in 2014, and the average annual spending by our brand advertisers decreased from approximately US\$193,000 in 2013 to approximately US\$179,000 in 2014. Our Renren segment's IVAS revenues decreased by 12.1% from US\$22.5 million in 2013 to US\$19.7 million in 2014, primarily due to the decrease in VIP memberships and third-party application developer revenues on *renren.com*.

Internet finance segment. Our internet finance segment had net revenues of US\$0.03 million in 2014, as we launched our internet finance business in the fourth quarter in 2014.

Cost of revenues. Our cost of revenues increased by 5.1% from US\$33.0 million in 2013 to US\$34.7million in 2014. This increase was primarily due to a 4.8% increase in the cost of revenues of our Renren segment

Renren segment. Our Renren segment's cost of revenues increased by 4.8% from US\$33.0 million in 2013 to US\$34.6 million in 2014. The increase was primarily due to an increase of US\$3.5 million in commission costs for Woxiu, partly offset by a decrease of US\$3.3 million in bandwidth and co-location costs.

Internet finance segment. Our internet finance segment had cost of revenues of US\$0.1 million in 2014, as we launched our internet finance business in the fourth quarter in 2014.

Operating expenses. Our operating expenses increased by 27.2% from US\$135.9 million in 2013 to US\$172.9 million in 2014, primarily due to the one-time impairment charges of intangible assets and goodwill, largely offset by decreased selling and marketing expenses and research and development expenses.

Selling and marketing expenses. Our selling and marketing expenses decreased by 19.9% from US\$43.2 million in 2013 to US\$34.6 million in 2014. This decrease was primarily due to a decrease of US\$3.3 million in promotion expenses for our Renren brand.

Research and development expenses. Our research and development expenses decreased by 22.0% from US\$54.7 million in 2013 to US\$42.7 million in 2014. This decrease was primarily due to a 27.9% decrease in salaries and other benefits for research and development personnel, from US\$41.6 million in 2013 to US\$30.0 million in 2014, as well as to a decrease in the associated rental and office facilities expenses from US\$9.7 million in 2013 to US\$7.7 million in 2014.

General and administrative expenses. Our general and administrative expenses increased by 28.3% from US\$38.0 million in 2013 to US\$48.8 million in 2014. This increase was primarily due to increased share-based compensation charges.

Impairment of goodwill was US\$46.9 million. The fair value of the goodwill of the Renren reporting unit, which included 56.com, was reviewed and estimated in September 2014 based on the operating results and market conditions at the time of the review, and we determined that such impairments were required.

Exchange (loss) gain on offshore bank accounts. We had an exchange loss of US\$2.3 million on offshore RMB deposits in 2014, compared with an exchange gain of US\$1.5 million on offshore bank deposits in 2013.

Interest income. Interest income was US\$12.6 million in 2014, as compared to interest income of US\$12.8 million in 2013. The interest income for both years was primarily interest on term deposits at commercial banks.

Realized gain on short-term investments. Realized gain on short-term investments was US\$139.3 million in 2014, compared to US\$56.0 million in 2013. These realized gain on short-term investments were mainly due to proceeds from sales of marketable securities.

Earnings in equity method investments. Earnings in equity method investments were US\$49.0 million in 2014, compared to US\$20.3 million in 2013. These earnings were mainly derived from earnings in Japan Macro Opportunities Offshore Partners, LP.

Gain on deconsolidation of the subsidiaries. We recognized a gain on deconsolidation of subsidiary of US\$0.5 million from the deconsolidation of 56.com in 2014. In 2013 the gain on deconsolidation of the subsidiaries was US\$132.7 million, due primarily to the one-time gain from the deconsolidation of Nuomi.

Gain on disposal of equity method investment, net of income taxes. Gain on disposal of equity method investment, net of income tax, was US\$57.0 million, which represented the one-time gain from the disposal of our remaining equity interest in Nuomi.

Discussion of Segment Operations

We had two reportable segments as of December 31, 2015, our Renren segment and our internet finance segment. Our Renren segment offers social networking services and other internet value added services. Our internet finance segment offers financial services.

The following table lists our net revenues and operating costs and expenses by reportable segment for the periods indicated.

	Year ended December 31, 2013		
	Renren	Internet finance	Total
Net revenues	\$64,050	\$ —	\$64,050
Cost of revenues	(32,970)	—	(32,970)
Operating expenses	(135,903)	—	(135,903)
Operating loss	(104,823)	—	(104,823)
Net loss from continuing operations	(34,424)	—	(34,424)
Net income from discontinued operations	98,065	—	98,065
Net income (loss)	63,641	—	63,641
	Year ended December 31, 2014		
	Renren	Internet finance	Total
Net revenues	\$46,641	\$ 27	\$46,668
Cost of revenues	(34,563)	(100)	(34,663)
Operating expenses	(171,246)	(1,672)	(172,918)
Operating (loss) income	(159,168)	(1,745)	(160,913)
Net income (loss) from continuing operations	31,535	(1,745)	29,790
Net income from discontinued operations	30,288	-	30,288
Net income (loss)	61,823	(1,745)	60,078
	Year ended December 31, 2015		
	Renren	Internet finance	Total
Net revenues	\$32,507	\$ 8,604	\$41,111
Cost of revenues	(29,732)	(6,988)	(36,720)
Operating expenses	(87,331)	(22,366)	(109,697)
Operating (loss) income	(84,556)	(20,750)	(105,306)
Net (loss) income from continuing operations	(202,427)	(20,750)	(223,177)
Net loss from discontinued operations	1,520	—	1,520
Net (loss) income	(200,907)	(20,750)	(221,657)

We have retrospectively adjusted our segment information for all periods presented to reflect the change in segment reporting and the discontinued operations of Nuomi, Qianjun Technology and our online games business. These adjustments are reflected in the discussion of segment results for comparison to prior year results.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

Prior to our initial public offering and concurrent private placement in May 2011, we financed our operations primarily through issuance and sale of preferred shares and warrants to investors in private placements and, to a much lesser extent, from cash generated from our operating activities. As of December 31, 2015, we had US\$56.2 million in cash and cash equivalents and term deposits. We believe that our cash on hand, together with cash from disposal of long-term investments and cash provided by financing activities, will provide us with sufficient capital to meet our anticipated cash needs for the next 12 months. If we have additional liquidity needs, we may obtain additional financing to meet such needs. However, we cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. If we are unable to obtain additional equity or debt financing as required, our business, operations and prospects may suffer.

Prior to our disposal of a majority of the equity interests in Nuomi and Qingting in October 2013, and the disposal of the 56.com business in December 2014, each of these entities experienced operating losses and net losses. To fund their daily operations, we provided intercompany interest-free loans to them. After elimination of intercompany interest-free loans, the net cash outflows pertaining to Nuomi and Qingting were approximately US\$13.0 million and US\$32.0 million for the years ended December 31, 2012 and 2013, respectively, and the net cash outflows pertaining to 56.com were approximately US\$12.4 million, US\$6.0 million and US\$16.6 million for the years ended December 31, 2012, 2013 and 2014, respectively. After the deconsolidation, Nuomi, Qingting and 56.com were no longer a drain on our consolidated cash flow.

As of December 31, 2015, our balance sheet included US\$811.0 million in long-term investments in some 55 unconsolidated subsidiaries and investment funds. We plan to reduce the number and aggregate size of these investments, and we will be looking for opportunities to reduce or dispose of our interests in some of these companies. At the same time, we will also be looking for opportunities to acquire majority interests in a few of these companies. While the timing of any dispositions or acquisitions is uncertain, we expect dispositions to considerably outweigh acquisitions, and consequently we do not expect these plans to have a negative impact on our cash flow from investments in the year ending December 31, 2016.

Although we consolidate the results of Qianxiang Wangjing and Qianxiang Changda, our access to cash balances or future earnings of these entities is only through our contractual arrangements with these entities and their respective shareholders and subsidiaries. See “Item 4.C—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.”

The following table sets forth a summary of our cash flows for the periods indicated:

	Years ended December 31		
	2013	2014	2015
	(in thousands of US\$)		
Net cash provided by (used in) operating activities	\$(73,035)	\$56,439	\$(50,042)
Net cash provided by (used in) investing activities	20,065	109,215	(248,984)
Net cash provided by (used in) financing activities	(1,033)	(134,832)	180,430
Net increase (decrease) in cash and cash equivalents	(54,003)	30,822	(118,596)
Cash and cash equivalents at the beginning of the year	207,438	154,308	183,025
Effect of exchange rate changes	873	(2,105)	(3,592)
Cash and cash equivalents at the end of the year	\$154,308	\$183,025	\$60,837

Operating Activities

The major factors affecting our operating cash flows are the timing of cash receipts from sales of our services and of the cash settlement for our accounts payable and accrued expenses.

Net cash used in operating activities amounted to US\$50.0 million in 2015, compared to a net loss of US\$221.7 million. The principal changes in operating assets and liabilities accounting for the difference between our net loss and our net cash used in operating activities in 2015 were a profit distribution received from Japan Macro Opportunities Offshore Partners, LP of US\$9.2 million and a decrease in accounts and notes receivable of US\$7.6 million. An increase in prepaid expenses and other current assets of US\$22.8 million was offset by miscellaneous increases in non-current assets. The principal adjustments to reconcile our net loss to our net cash used by operating expenses were a loss on short-term investments and fair value change of derivatives of US\$98.1 million and share-based compensation expenses of US\$28.2 million.

Net cash provided by operating activities amounted to US\$56.4 million in 2014, compared to a net income of US\$60.1 million. The principal items accounting for the difference between our net income and net cash provided by operating activities in 2014 were capital distribution received from Japan Macro Opportunities Offshore Partners, LP. of US\$63.9 million, impairment of goodwill of US\$46.9 million, share-based compensation expenses of US\$21.6 million, depreciation and amortization of US\$18.5 million and impairment of intangible assets of US\$15.5 million, partially offset by gain on short-term investments of US\$139.3 million, gain on disposal of equity method investment of US\$57.0 million and net earnings in equity method investments of US\$49.0 million, further adjusted by the decrease in amount due from related party of US\$61.4 million primarily due to the repayment of receivables due from Nuomi.

Net cash used in operating activities amounted to US\$73.0 million in 2013, compared to a net income of US\$63.6 million. The principal items accounting for the difference between our net income and our net cash used in operating activities in 2013 were related to our investing activities, including our gain on deconsolidation of subsidiaries of US\$132.7 million, gain on short-term investments of US\$56.0 million and net earnings in equity method investments of US\$20.3 million, partially offset by impairment of equity method investments of US\$23.0 million, depreciation and amortization of US\$19.2 million and share-based compensation expenses of US\$16.1 million.

Investing Activities

Net cash used in investing activities amounted to US\$249.0 million in 2015, due mainly to cash paid for purchases of long-term investments of US\$538.1 million, cash paid to customers in our internet finance business of US\$289.0 million and purchases of short-term investments of US\$199.2 million, par