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As filed with the Securities and Exchange Commission on April 21, 2011

Registration No. 333-

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form F-1**  
**REGISTRATION STATEMENT**  
**UNDER THE SECURITIES ACT OF 1933**

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**Phoenix New Media Limited**

*(Exact name of Registrant as specified in its charter)*

**Not Applicable**

*(Translation of Registrant's name into English)*

<b>Cayman Islands</b> <i>(State or other jurisdiction of incorporation or organization)</i>	<b>7389</b> <i>(Primary Standard Industrial Classification Code Number)</i>	<b>Not Applicable</b> <i>(I.R.S. Employer Identification Number)</i>
----------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------	-----------------------------------------------------------------------------

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**People's Republic of China**  
**(86) 10 8445 8000**

*(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)*

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**Approximate date of commencement of proposed sale to the public:** as soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

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**CALCULATION OF REGISTRATION FEE**

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Title of each class of securities to be registered <sup>(1)(2)</sup>	Proposed maximum aggregate offering price <sup>(3)</sup>	Amount of registration fee
<b>Class A ordinary shares, par value \$0.01 per share</b>	<b>\$200,000,000</b>	<b>\$23,220</b>

- (1) American depositary shares issuable upon deposit of the Class A ordinary shares registered hereby have been registered under a separate registration statement on Form F-6 (Registration No. 333- ). Each American depositary share represents Class A ordinary shares.
- (2) Includes (i) Class A ordinary shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public, and (ii) Class A ordinary shares that may be purchased by the underwriters pursuant to an option to purchase additional Class A ordinary shares represented by American depositary shares. These Class A ordinary shares are not being registered for the purpose of sales outside the United States.
- (3) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.**





## THE LEADING NEW MEDIA COMPANY

PROVIDING PREMIUM CONTENT ON AN INTEGRATED PLATFORM  
ACROSS INTERNET, MOBILE AND TV CHANNELS IN CHINA.



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WHERE INTERNET, MOBILE & TV CONVERGE,  
THERE IS PHOENIX NEW MEDIA.

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You should rely only on the information contained in this prospectus or in any related free writing prospectus filed with the Securities and Exchange Commission and used or referred to in an offering to you of these securities. Neither we nor the underwriters have authorized anyone to provide information different from that contained in this prospectus. This prospectus may only be used where it is legal to offer and sell our ADSs. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our ADSs.

Until \_\_\_\_\_, 2011, all dealers that buy, sell or trade our ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

## PROSPECTUS SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements and related notes appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our ADSs discussed under "Risk Factors" before deciding whether to buy our ADSs.*

### Phoenix New Media Limited

#### Our Business

We are the leading new media company providing premium content on an integrated platform across Internet, mobile and TV channels in China. Having originated from a leading global Chinese language TV network based in Hong Kong, Phoenix Satellite Television Holdings Limited, or Phoenix TV, we enable consumers to access professional news and other quality content and share user-generated content, or UGC, on the Internet and through their mobile devices. We also transmit our UGC and in-house produced content to TV viewers primarily through Phoenix TV. Our ifeng.com website ranked number one in terms of page views, or PV, among the world's leading TV companies' websites, including CNN.com, BCC.co.uk and CNTV.cn, in March 2011 according to Alexa.com, a third-party web information company, and ranked 8<sup>th</sup> among all Chinese websites in terms of PV in December 2010, according to Google Ad Planner. We had 222 million online monthly unique visitors in March 2011, and according to a report we commissioned from Shanghai iResearch Co., Ltd., a third-party PRC consulting and market research firm focused on Internet media markets, or the iResearch Report, our online users' average monthly income was over four times that of the average Internet user in China in November 2010. Leveraging our coveted user demographic and influential brand, we have established a high-growth and profitable business model with diversified revenue streams from both advertising and paid services.

We provide journalism with balanced perspectives, global news coverage, investigative reports and in-depth analysis of events in compelling presentation formats. Our news vertical has been ranked number one in terms of PV compared to news verticals of Chinese Internet portals since July 2010 by Alexa.com. We possess strong capabilities in sourcing and editing content, as well as in original production. Our content library is enriched by our exclusive license to use Phoenix TV's copyrighted content and is enhanced by the interactive contribution from our users through UGC. We believe the high quality of our content distinguishes us within the new media industry in China. Our quality content has served to attract a large user base, as evidenced by the 311 million average daily online PV and 88 million average daily mobile PV that our platform received in March 2011. We believe the premium nature of our content is further demonstrated by ifeng.com's high number of page views per visitor, or PV/UV, which was higher than the PV/UV of any major Chinese Internet portal in November 2010 according to the iResearch Report, and its high level of daily time on site per user, which was significantly greater than that of the leading Chinese online video websites in March 2011, according to Alexa.com.

Our brand, "ifeng.com" (鳳凰網), has achieved prominence among Chinese Internet users. We were recognized as the "Most Valuable Chinese Internet Brand" at the Chinese Internet Advertisers Annual Convention in October 2010. The appeal of our brand is enhanced by its affiliation with the "Phoenix" (鳳凰) brand of Phoenix TV. In Chinese culture, the Chinese Phoenix is an auspicious mythical bird that symbolizes unrivaled excellence. Benefiting from China's "open and reform" policy, Phoenix TV has been a driving force in China's media reform and its programs are highly popular in China, as evidenced by the Phoenix Chinese Channel's thirteenth consecutive semi-annual first place ranking for audience appreciation since 2004 by CTR Market Research, a joint venture between China International TV Corporation and TNS Global Market Research. Our and Phoenix TV's active

promotion of one another's brands on our respective Internet-enabled and TV platforms helps to grow our combined audience synergistically.

Our distinguished content, attractive user base and diverse product lines provide us with multiple opportunities for monetization in both advertising and paid services. We derived 38.7% and 61.3% of our total revenues from advertising and paid services, respectively, in 2010. We recognize our advertising revenues on a net basis and generate them by providing advertising services through our online and video channels primarily and, to a small extent at present, through our mobile channel. Driven by the growing number of premium brand advertisers that we have attracted across a wide range of industries, our net advertising revenues grew at rates of 102.8% from 2008 to 2009, and 150.4% from 2009 to 2010. We offer a variety of paid services across all of our channels, including (i) mobile Internet and value-added services, or MIVAS, which includes our digital reading services, mobile game services and wireless value-added services, or WVAS, such as messaging-based services (SMS and MMS); (ii) video value-added services, or video VAS, which consists of our online subscription and pay-per-view video services, our mobile subscription and pay-per-view video services, and video content sales; and (iii) Internet value-added services, or Internet VAS. We primarily generate our paid service revenues from our WVAS, digital reading services and mobile video subscription and pay-per-view services by providing content to mobile device users and collecting revenue shares or fixed fees for our content services from the relevant mobile operator. We also earn a significant amount of paid service revenues in the form of fixed fees from China Mobile Communications Corporation, or China Mobile, for our digital reading services. These offerings have driven the growth of our paid service users from 6.4 million users as of March 31, 2010, to 10.1 million users as of March 31, 2011, representing a growth rate of 57.0%.

In 2008, 2009 and 2010, we generated total revenues of RMB222.6 million, RMB262.3 million and RMB528.7 million (US\$80.1 million), respectively, representing a compound annual growth rate, or CAGR, of 54.1%. Our net advertising revenues were RMB40.3 million, RMB81.6 million and RMB204.4 million (US\$31.0 million) in 2008, 2009 and 2010, respectively, representing a CAGR of 125.3%, and our paid service revenues were RMB182.4 million, RMB180.7 million and RMB324.3 million (US\$49.1 million) in 2008, 2009 and 2010, respectively, representing a CAGR of 33.4%. We incurred a net loss attributable to Phoenix New Media Limited of RMB28.2 million in 2008. We achieved a net income attributable to Phoenix New Media Limited of RMB0.3 million and RMB74.1 million (US\$11.2 million) in 2009 and 2010, respectively. Adjusted net income attributable to Phoenix New Media Limited, a non-GAAP financial measure which excludes share-based compensation expenses, was RMB1.8 million, RMB10.5 million and RMB90.6 million (US\$13.7 million) in 2008, 2009 and 2010, respectively. See "Our Summary Consolidated Financial Data" for the non-GAAP adjusted net income definition and reconciliations.

While we attribute our success largely to the strength of our company, we also benefit from our relationship with Phoenix TV. In November 2009, our PRC subsidiary, Fenghuang On-line, entered into a cooperation agreement with Phoenix TV, or the Phoenix TV Cooperation Agreement, pursuant to which each of our affiliated consolidated entities entered into a program content license agreement, or Content License Agreement, with Phoenix Satellite Television Company Limited and a trademark license agreement, or Trademark License Agreement, with Phoenix Satellite Television Trademark Limited. Each of these agreements will expire in March 2016 unless both of the relevant parties agree to extend their respective terms. Under certain conditions, these agreements may be terminated early. The exclusive content licenses granted to our affiliated consolidated entities help to distinguish our content offerings from those of other Internet and new media companies in China and make a material contribution to our business, in particular, to our video VAS business, which accounted for 5.0% of our total revenues in 2010, and, indirectly, to our video advertising business. Our most valuable intellectual property asset is our domain name, ifeng.com, which we own. In addition, our affiliated consolidated entities license certain of Phoenix TV's logos. These logos help to affiliate our brand with that of

Phoenix TV and vice versa, which helps to enhance our respective brand names. For more information about the potential consequences to our business if we are unable to receive the same level of support from Phoenix TV in the future, see "Risk Factors—Risks Relating to Our Business and Industry—We may not be able to receive the same level of support from Phoenix TV in the future. We could lose our exclusive license to Phoenix TV's content, which would have a material adverse affect on our video VAS business, which accounted for 5.0% of our total revenues in 2010, and would also negatively affect our video advertising business. Together, these impacts could have a material adverse affect on our business, result of operation and financial condition."

Upon completion of this offering, Phoenix TV, through its wholly owned subsidiary, Phoenix Satellite Television (B.V.I) Holding Limited, or Phoenix TV (BVI), will continue to be our controlling shareholder, with beneficial ownership and voting power of % and %, respectively, of our outstanding ordinary shares, assuming the underwriters do not exercise their over-allotment option and the entire assured entitlement distribution to Phoenix TV's shareholders is made in ADSs. Although we believe that our interests and those of Phoenix TV are mostly aligned because Phoenix TV will continue to consolidate our financial results as long as Phoenix TV maintains a majority voting interest in our company, there may be conflicts of interest between our company and Phoenix TV from time to time. We may not be able to resolve any potential conflicts, and even if we do, the resolution may be less favorable to us than if we were dealing with a non-controlling shareholder. See "Risk Factors—Risks Relating to Our Corporate Structure—We may have conflicts of interest with Phoenix TV and, because of Phoenix TV's controlling beneficial ownership in our company, may not be able to resolve such conflicts on terms favorable for us." For more information about our relationship with Phoenix TV, see "—Our Relationship with Phoenix TV."

## **Our Industry**

Media convergence is characterized by the evolution of content formats and communications infrastructure toward providing consumers with ubiquitous access to content through multiple channels. This evolution has removed boundaries between traditional and new media channels and allows consumers to choose what content they wish to consume and when and where they wish to do so.

New media channels, including the Internet and mobile, have gained and continue to gain popularity in China relative to traditional TV and print media. According to a study by DCCI, a third-party research firm, published in August 2010, television viewers in China are projected to grow at a modest CAGR of 0.8% between 2009 and 2015, while, over the same period, the number of Chinese Internet users and mobile Internet users are expected to grow at significantly faster CAGRs of 15.0% and 28.7%, respectively.

By enabling on-demand access to information, media convergence is driving the proliferation of new media content in China. Despite this proliferation, however, the content provided by most new media companies in China is largely homogenous, as it is primarily derived from a limited number of sources. In addition, new media companies in China tend to be technology-driven Internet companies with young brands, lacking the capability and expertise for securing and producing high-quality content. Moreover, established Chinese Internet portals tend to focus on aggregating content that caters to young mass-market audiences. Therefore, a market opportunity exists for providing relatively affluent and educated Internet and mobile device users in China with professional news and distinguished interest-driven media content that has been produced and edited to meet high standards.

Media convergence trends have provided significant revenue opportunities, as evidenced by the increasing advertising spending in recent years through traditional and new media formats. According to GroupM, China had the third largest advertising market in the world in 2009, with a market size of approximately US\$40.0 billion. Internet advertising expenditures in China grew from US\$60 million in 2001 to US\$3.1 billion in 2009. In addition to advertising growth, media convergence in China has



supported the emergence of paid content services. With the growing spending power of the Chinese population, affluent consumers are increasingly willing to pay for consistent access to high quality media content.

### **Our Competitive Strengths**

We believe that the following strengths give us a competitive advantage and set us apart from our competitors:

- integrated delivery platform capitalizing on media convergence;
- premium, differentiated and diverse professional content;
- leading and influential brand;
- highly educated, affluent and engaged user base;
- unique value proposition for blue chip advertisers;
- robust and scalable integrated technology systems; and
- strong management team with extensive media and Internet expertise.

### **Our Strategies**

Our mission is to be the premier new media company in China empowering our users with premium content and services through all Internet-enabled devices. We plan to achieve this mission by pursuing the following strategies:

- expand and enrich our content offerings;
- increase our marketing activities to continue to capture a greater audience;
- further monetize our service offerings;
- enhance our product offerings and technology platform; and
- pursue strategic partnerships and acquisitions.

### **Our Challenges**

We face risks and uncertainties related to:

- our limited operating history;
- our ability to retain existing and attract new advertisers and advertising agencies;
- our ability to anticipate user preferences and keep pace with rapid technological changes to provide high quality content and services that retain and attract new customers;
- our ability to successfully expand our MIVAS business;
- our ability to continue to receive the same level of support from Phoenix TV, including our exclusive license to use Phoenix TV's content;
- our ability to maintain contractual relationships with third-party content providers;
- our ability to successfully compete in the highly competitive markets in which we operate;
- our lack of an Internet audio-visual program transmission license and Internet news license, which render uncertain our ability to transmit video content through our Internet and mobile channels and to distribute news on our website, and may expose us to administrative sanctions;

- Our noncompliance with a notice issued by the PRC Ministry of Industry and Information Technology, or the MIIT, requiring a holder of a value-added telecommunications business operating license, or ICP License, or its shareholders to own the trademarks used in their value-added telecommunications businesses, which, if not remedied after enforcement by the MIIT, could result in the revocation of the ICP Licenses that enable us to operate our value-added telecommunications business;
- our ability to establish and maintain effective control over financial reporting in order to remediate control deficiencies identified during the course of the audit of our financial statements, the failure of which could materially and adversely affect our ability to accurately and timely report our financial results in accordance with U.S. GAAP and may negatively affect investor confidence in our company and the price of our ADSs;
- our dependence on revenues from China Mobile and other PRC mobile telecommunications operators for the majority of our MIVAS and our mobile subscription and pay-per-view video services;
- our ability to legally transmit on our platform the foreign television program content that we license from a wholly owned subsidiary of Phoenix TV;
- our reliance on contractual arrangements with our affiliated consolidated entities for operating our business in China, including:
  - if the PRC government finds that the contractual arrangements do not comply with PRC laws and regulations, we would be subject to severe penalties or be forced to relinquish our interests in those operations; and
  - the contractual arrangements on which we rely may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest, and the shareholders of our affiliated consolidated entities may have potential conflicts of interest with us; and
- potential conflicts of interests between Phoenix TV, on the one hand, and our company and other shareholders, on the other hand, because Phoenix TV will beneficially own our Class B ordinary shares with 1.3 votes per share immediately prior to the completion of this offering, allowing it to exercise significant influence over matters subject to shareholder approval.

Please see "Risk Factors" and other information included in this prospectus for a detailed discussion of these risks and uncertainties.

## **Corporate History and Structure**

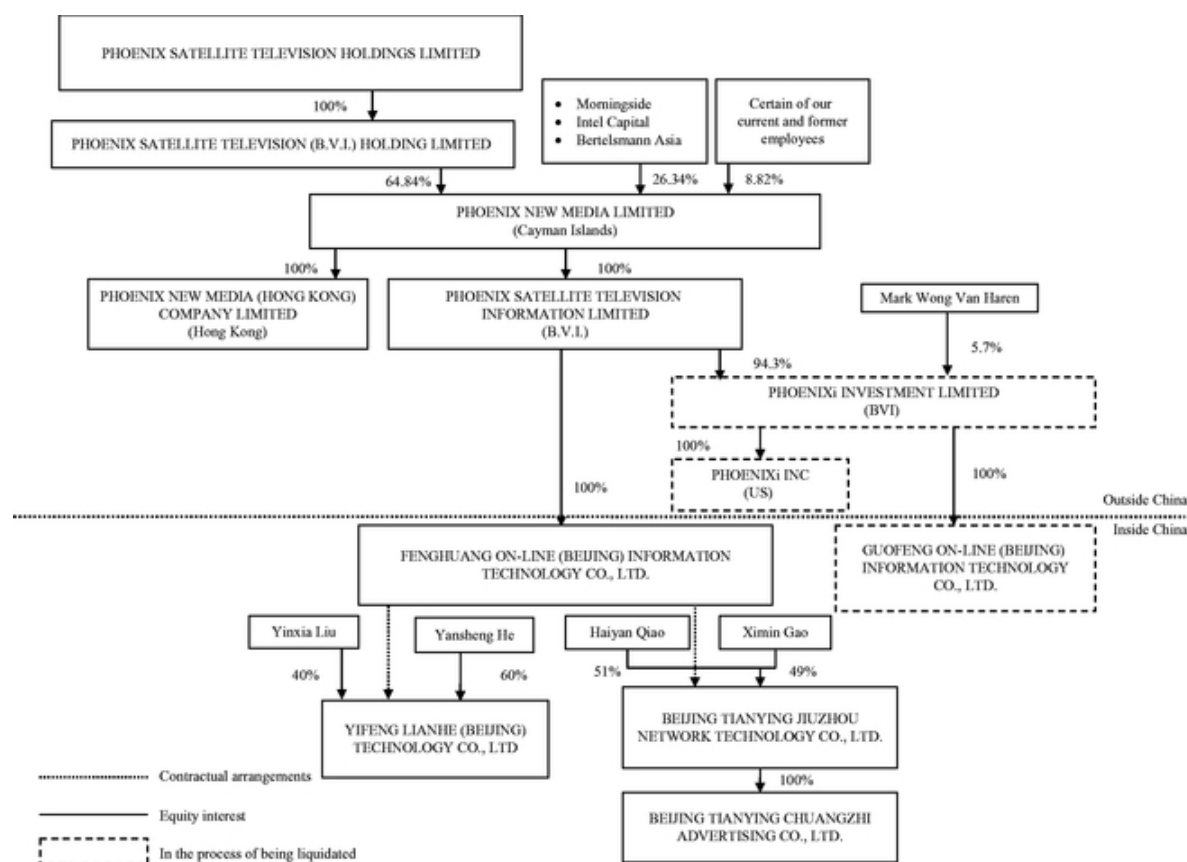
Phoenix TV registered the domain name phoenix.tv.com for its corporate website in 1998. Beijing Tianying Jiuzhou Network Technology Co., Ltd., or Tianying Jiuzhou, began operating this website after its establishment in April 2000. Before Phoenix TV undertook its initial public offering in Hong Kong in 2000, Tianying Jiuzhou maintained this website with a small team of employees.

In November 2005, Mr. Shuang Liu, a vice president of Phoenix TV, was appointed to lead Phoenix TV's new media business. Yifeng Lianhe (Beijing) Technology Co., Ltd., or Yifeng Lianhe, was established in June 2006 to provide new media mobile services in China. In July 2007, Tianying Jiuzhou registered the domain name ifeng.com and redirected the traffic of phoenix.tv.com and phoenix.tv.com.cn to ifeng.com.

On November 22, 2007, Phoenix New Media Limited was incorporated in the Cayman Islands as a subsidiary of Phoenix TV to be the holding company for its new media business. In May 2008, Phoenix TV (BVI) transferred the sole outstanding share of Phoenix Satellite Television Information Limited to

us in exchange for 319,999,999 ordinary shares of our company. In November 2009, we entered into a share purchase agreement with Morningside China TMT Fund I, L.P., or Morningside, Intel Capital Corporation, or Intel Capital, and Bertelsmann Asia Investments AG, or Bertelsmann Asia, pursuant to which these investors purchased an aggregate of 130,000,000 Series A convertible redeemable preferred shares of our company.

The following diagram illustrates our corporate structure as of the date of this prospectus. See "Our History and Corporate Structure" for more information.



- (1) All percentage equity interests in the diagram above are on an as-converted basis.
- (2) Upon completion of the offering, our current directors and executive officers as of the date of this prospectus, Keung Chui, Shuang Liu, Ya Li, Daguang He, Qin Liu, Qianli Liu and Yulin Wang, will collectively beneficially own % of our ordinary shares, which will consist of Class A ordinary shares.

Currently, we conduct all of our operations in China through Fenghuang On-line (Beijing) Information Technology Co., Ltd., or Fenghuang On-line, our PRC subsidiary, as well as through a series of contractual arrangements with each of our affiliated consolidated entities, Tianying Jiuzhou and Yifeng Lianhe, and their respective shareholders. We entered into these contractual arrangements on December 31, 2009, at which time we became operational in our current corporate structure. Our contractual arrangements with Tianying Jiuzhou and Yifeng Lianhe and their respective shareholders enable us to:

- receive substantially all of the economic benefits from Tianying Jiuzhou and its subsidiary and Yifeng Lianhe in consideration for the technical and consulting services provided and intellectual rights licensed by Fenghuang On-Line;

- exercise effective control over Tianying Jiuzhou and its subsidiary and Yifeng Lianhe; and
- have an exclusive option to purchase all of the equity interests in Tianying Jiuzhou and Yifeng Lianhe when, and to the extent permitted, under PRC laws.

We do not have any equity interest in Tianying Jiuzhou or Yifeng Lianhe. However, as a result of these contractual arrangements, we are considered the primary beneficiary of Tianying Jiuzhou and Yifeng Lianhe, and we account for them as our consolidated affiliated entities under the generally accepted accounting principles in the United States, or U.S. GAAP. We have consolidated the financial results of these companies in our consolidated financial statements in accordance with U.S. GAAP as we are determined to be the primary beneficiary in these arrangements. In 2010, Tianying Jiuzhou and its subsidiary accounted for 87.5% of our total revenues, and Yifeng Lianhe accounted for 10.0% of our total revenues. Tianying Jiuzhou and its subsidiary currently conduct all of our advertising services. Tianying Jiuzhou also provides most of our WVAS services, our digital reading services, most of our mobile game services, our video VAS services and a portion of our Internet VAS services. Yifeng Lianhe conducts a portion of our WVAS services and a small portion of our mobile game services. Fenghuang On-line generates revenue from conducting certain promotional activities for Phoenix TV, which we categorize within our Internet VAS from an accounting perspective under US GAAP. For a description of our contractual arrangements with our affiliated consolidated entities, see "Our History and Corporate Structure." For a detailed description of the regulations that prohibit or restrict foreign investment in the Internet-related and mobile value-added services industries, thereby necessitating the adoption of our corporate structure, see "Regulation." For a detailed description of the risks associated with our corporate structure and the contractual arrangements that support our corporate structure, see "Risk Factors—Risks Relating to Our Corporate Structure."

Outstanding equity interests in Tianying Jiuzhou and Yifeng Lianhe are held by Haiyan Qiao and Ximin Gao, and Yinxia Liu and Yansheng He, respectively. Messrs. Qiao, Gao and He are all current employees of our company and have each been employed by us for approximately ten years. Mr. Liu is an employee of Zhongcheng Letian Property Development Company, a company founded by the chairman of Phoenix TV, Mr. Changle Liu. See "Risk Factors—Risks Relating to Our Corporate Structure—The shareholders of the affiliated consolidated entities may have potential conflicts of interest with us."

We established Phoenix New Media (Hong Kong) Company Limited, a Hong Kong limited liability company, on February 24, 2011 in order to begin to establish a corporate structure that may allow for more efficient withholding tax treatment of any dividends to our company, provided that Phoenix New Media (Hong Kong) Company Limited becomes the parent company of our PRC subsidiary and the beneficial owner of any of its dividends, and receives approval from the PRC tax authority to enjoy preferential withholding tax treatment.

In 1999, PHOENIXi Investment Limited, which holds 100% equity ownership of PHOENIXi Inc. and Guofeng On-line (Beijing) Information Technology Co., Ltd., was established primarily to develop an Internet business in North America. The business operations of PHOENIXi Investment Limited and its subsidiaries ceased before 2006, and the legal process of liquidating these three entities, which began in 2006, is expected to be completed in 2011. Given that these entities have long ceased their operations, we do not anticipate that the dissolution of PHOENIXi Investment Limited and its subsidiaries will have any effect on our business, results of operations or financial position. Our consolidated financial statements do not include the financial statements of PHOENIXi Investment Limited and its subsidiaries, but rather account for them under the cost method and recognize any other than temporary impairment.

## Our Relationship with Phoenix TV

We are currently a subsidiary of Phoenix TV, the leading Hong Kong-based satellite TV network broadcasting Chinese language content globally and into China. Phoenix TV indirectly owns 64.84% of our outstanding share capital as of the date of this prospectus. Phoenix TV first reported its new media business as one of its business segments in its annual report submitted to the Hong Kong Stock Exchange for the year ended December 31, 2007. Prior to this offering, in an effort to more clearly delineate our related party transactions with Phoenix TV, Fenghuang On-line entered into a cooperation agreement with Phoenix TV, or the Phoenix TV Cooperation Agreement, on November 24, 2009. Under this agreement, Fenghuang On-line and Phoenix TV agreed to certain cooperative arrangements in the areas of content, branding, promotion and technology and Phoenix TV agreed to procure and procured its subsidiaries, Phoenix Satellite Television Company Limited and Phoenix Satellite Television Trademark Limited, to enter into the Content License Agreements and Trademark Licenses Agreements, respectively, with each of our affiliated consolidated entities on November 24, 2009.

We have a mutually beneficial relationship with Phoenix TV. We and Phoenix TV share a common vision of the convergence of traditional and new media channels, and work together to realize this vision. While we furnish Phoenix TV with access to our new media delivery channels, Phoenix TV enables us to display our proprietary content on its TV programs. Pursuant to the Content License Agreements, Phoenix TV has also granted each of our affiliated consolidated entities an exclusive license to use its content on our Internet and mobile channels in China. These exclusive content licenses help to distinguish our content offerings from those of other Internet and new media companies in China and make a material contribution to our business, in particular, to our video VAS business, which accounted for 5.0% of our total revenues in 2010, and, indirectly, to our video advertising business. In addition, our affiliated consolidated entities license certain of Phoenix TV's logos. These logos help to affiliate our brand name with that of Phoenix TV and vice versa, which helps to enhance our respective brand names. These logos, however, do not directly contribute any revenues to our company and are not material to our business. Phoenix Satellite Television Trademark Limited has completed the application form to transfer the "ifeng" logo from Phoenix Satellite Television Trademark Limited to Tianying Jiuzhou, and Tianying Jiuzhou has submitted the application to the PRC Trademark Office to serve to remedy a current noncompliance with PRC regulation. See "Risk Factors—Risks Relating to Our Business and Industry—Our consolidated affiliated entities and their respective shareholders do not own the trademarks used in their value-added telecommunications services, which may subject them to revocation of their licenses or other penalties or sanctions."

As compensation for the rights granted to Fenghuang On-line under the Phoenix TV Cooperation Agreement, Fenghuang On-line is obligated to pay Phoenix TV an annual service fee in the amount of RMB1.6 million for the first year of the agreement that incrementally increases by 25% for each subsequent year of the agreement, as well as 50% of the after tax revenue we earn from sublicensing Phoenix TV's certain video content. In the event that Phoenix TV's indirect voting interest in Fenghuang On-line decreases to 50% or below, Phoenix TV has the right to amend the annual service fee, provided that it may not be raised to more than 500% of the original annual service fee. Each of the Phoenix TV Cooperation Agreement, the Content License Agreements and the Trademark License Agreements will expire in March 2016 unless both of the relevant parties agree to extend their respective terms. Each of these agreements may be terminated early subject to the occurrence of certain events. For more information about these agreements, see "Related Party Transactions—Transactions and Agreements with Phoenix TV and Certain of its Subsidiaries." Our chief executive officer is also a vice president of Phoenix TV.

Upon completion of this offering, Phoenix TV, through its wholly owned subsidiary, Phoenix TV (BVI), will continue to be our controlling shareholder, with beneficial ownership and voting power of       % and       %, respectively, of our outstanding ordinary shares, assuming the underwriters do

not exercise their over-allotment option and the entire assured entitlement distribution to Phoenix TV's shareholders is made in ADSs. Although we believe that our interests and those of Phoenix TV are mostly aligned because Phoenix TV will continue to consolidate our financial results as long as Phoenix TV maintains a majority voting interest in our company, there may be conflicts of interest between our company and Phoenix TV from time to time. We may not be able to resolve any potential conflicts, and even if we do so, the resolution may be less favorable to us than if we were dealing with a non-controlling shareholder. For more information about our potential conflicts of interest with Phoenix TV, see "Risk Factors—Risks Relating to Our Corporate Structure—We may have conflicts of interest with Phoenix TV and, because of Phoenix TV's controlling beneficial ownership interest in our company, may not be able to resolve such conflicts on terms favorable for us."

### **PRC Regulation of Loans and Direct Investment by Offshore Holding Companies**

In utilizing the proceeds of this offering, as an offshore holding company, we are permitted, under PRC laws and regulations, to provide funding to our PRC operating subsidiary only through loans or capital contributions, and to our affiliated consolidated entities only through loans. Subject to the satisfaction of applicable government registration and approval requirements, we may extend loans to our operating subsidiary and affiliated consolidated entities in China or make additional capital contributions to our operating subsidiary in China to fund their capital expenditures or working capital. In addition, pursuant to a circular issued by the SAFE in 2008, Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC, unless it is provided for otherwise. We expect that if we convert the net proceeds we receive from this offering into Renminbi pursuant to SAFE Circular 142, our use of Renminbi funds will be for purposes within the approved business scope of our PRC subsidiary. Such business scope permits our PRC subsidiary to provide technical and operational support to our affiliated consolidated entities. However, we may not be able to use such Renminbi funds to make equity investments in the PRC through our PRC subsidiary. For more information about risks related to PRC regulation of loans and direct investment by offshore holding companies, like our company, to PRC entities, see "Risk Factors—Risks Relating to Doing Business in China—PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds from this offering to make loans or additional capital contributions to our PRC subsidiary and affiliated consolidated entities."

### **Corporate Information**

Our principal executive offices are located at Fusheng Building Tower 2, 16<sup>th</sup> Floor, 4 Hui Xin Dong Jie, Chaoyang District, Beijing 100029, People's Republic of China. Our telephone number at this address is (86) 10 8445 8000 and our fax number is (86) 10 8445 8446. Our registered office in the Cayman Islands is located at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4<sup>th</sup> Floor, New York, New York 10017.

Investors should contact us for any inquiries through the address and telephone number of our principal executive offices. Our website is [www.ifeng.com](http://www.ifeng.com). The information contained on our website is not a part of this prospectus.

## Conventions Which Apply to This Prospectus

Except where the context otherwise requires and for purposes of this prospectus only:

- "ADSs" refers to our American depositary shares, each of which represents Class A ordinary shares, and "ADRs" refers to the American depositary receipts that may evidence our ADSs;
- "affiliated consolidated entities" refer to Yifeng Lianhe (Beijing) Technology Co., Ltd. and Beijing Tianying Jiuzhou Network Technology Co., Ltd., each of which is a PRC domestic company. Substantially all of our operations in China are conducted by our affiliated consolidated entities, in which we do not own any equity interest, through our contractual arrangements. We treat the affiliated consolidated entities as variable interest entities and have consolidated their financial results in our financial statements in accordance with generally accepted accounting principles in the United States, or U.S. GAAP;
- "China" or "PRC" refers to the People's Republic of China, excluding, for the purposes of this prospectus only, Taiwan, Hong Kong and Macau;
- "Class A ordinary shares" are to our Class A ordinary shares, par value US\$0.01 per share, to be authorized under our second amended and restated memorandum and articles of association that will become effective immediately prior to the completion of this offering;
- "Class B ordinary shares" are to our Class B ordinary shares, par value US\$0.01 per share, each of which shall be entitled to 1.3 votes on all matters subject to shareholders' vote, to be authorized under our second amended and restated memorandum and articles of association that will become effective immediately prior to the completion of this offering;
- "Fenghuang On-line" refers to Fenghuang On-line (Beijing) Information Technology Co., Ltd., a wholly foreign-owned PRC entity;
- "ordinary shares" are to our ordinary shares, par value US\$0.01 per share, authorized under our amended and restated memorandum and articles of association prior to the completion of this offering, and are to our Class A ordinary shares and Class B ordinary shares, collectively, immediately prior to the completion of this offering;
- "Phoenix TV" refers to Phoenix Satellite Television Holdings Limited;
- "Phoenix TV (BVI)" refers to Phoenix Satellite Television (B.V.I) Holding Limited, a wholly owned direct subsidiary of Phoenix TV, which directly owns 64.84% of our share capital as of the date of this prospectus;
- "RMB" or "Renminbi" refers to the legal currency of China; "\$," "dollars," "US\$" and "U.S. dollars" refer to the legal currency of the United States;
- "Series A convertible redeemable preferred shares" refers to our Series A convertible redeemable preferred shares, par value US\$0.01 per share;
- "Tianying Jiuzhou" refers to Beijing Tianying Jiuzhou Network Technology Co., Ltd., a PRC domestic company and an affiliated consolidated entity;
- "we," "us," "our company," "our" and "Phoenix New Media" refer to Phoenix New Media Limited, a Cayman Islands company and its predecessor entities and subsidiaries, and, unless the context otherwise requires, our affiliated consolidated entities and their subsidiaries in China; and
- "Yifeng Lianhe" refers to Yifeng Lianhe (Beijing) Technology Co., Ltd., a PRC domestic company and an affiliated consolidated entity.

This prospectus contains statistical data that we obtained from various government and private publications. We have not independently verified the data in these reports. Statistical data in these publications also include projections based on a number of assumptions. If any one or more of the assumptions underlying the statistical data turns out to be incorrect, actual results may differ from the projections based on these assumptions.





If we declare dividends on our Class A ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our Class A ordinary shares, after deducting its fees and expenses.

You may surrender your ADSs to the depositary in exchange for the Class A ordinary shares underlying your ADSs. The depositary will charge you fees for any exchange.

We may amend or terminate the deposit agreement without your consent. If an amendment becomes effective and you continue to hold your ADSs, you will be bound by the deposit agreement as amended.

To better understand the terms of the ADSs, you should carefully read the section of this prospectus entitled "Description of American Depositary Shares." You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.

Over-allotment option

We and the selling shareholders have granted to the underwriters an option, which is exercisable within 30 days from the date of this prospectus, to purchase a maximum of            additional ADSs.

Reserved ADSs

At our request, the underwriters have reserved for sale, at the initial public offering price, up to            ADSs offered by this prospectus for sale to some of our directors, officers, employees, business associates and related persons. See "Underwriting" for additional information.

Use of proceeds

Our net proceeds from this offering are expected to be approximately US\$            million, assuming an initial public offering price of US\$            per ADS, the mid-point of the estimated public offering price range set forth on the cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use our net proceeds from this offering for the following purposes:

- US\$            million for content acquisition and production;
- US\$            million for product development and technology infrastructure; and
- US\$            million for marketing and sales.

We intend to use the remaining portion of the net proceeds we receive from this offering for other general corporate purposes, including potential facilities upgrade, and for potential acquisitions, although we are not currently negotiating any acquisition transactions. See "Use of Proceeds" for additional information.

Lock-up	We have agreed with the underwriters to a lock-up of shares for a period of 180 days after the date of this prospectus. In addition, our executive officers, directors, existing shareholders and major holders of share-based awards have also agreed with the underwriters to a lock-up of shares for a period of 180 days after the date of this prospectus, except, with respect to Phoenix TV (BVI), to the extent necessary to allow Phoenix TV to make available to its shareholders an "assured entitlement" to a certain number of our ADSs, not to exceed           ADSs, as required pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. In addition, we have instructed Deutsche Bank Trust Company Americas, as depositary, not to accept any deposit of Class A ordinary shares or issue any ADSs for a period of 180 days after the date of this prospectus (other than in connection with this offering and the distribution of "assured entitlement" ADSs to certain of Phoenix TV's shareholders), unless we otherwise instruct the depositary with the prior written consent of the representatives of the underwriters. See "Principal and Selling Shareholders—Assured Entitlement Distribution" for more information about Phoenix TV's assured entitlement distribution. For more information about the lock-up agreements, see "Underwriting."
Listing	We have applied to list the ADSs on the New York Stock Exchange under the symbol "FENG." The ADSs or Class A ordinary shares will not be listed on any other exchange or traded on any other automated quotation system.
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of risks you should carefully consider before investing in our ADSs.
Depository	Deutsche Bank Trust Company Americas.

**Our Summary Consolidated Financial Data**

The following summary consolidated statements of operations for the years ended December 31, 2008, 2009 and 2010 and the summary consolidated balance sheet data as of December 31, 2008, 2009 and 2010 have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. You should read the summary consolidated financial data in conjunction with those financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with United States generally accepted accounting principles, or U.S. GAAP. Our historical results are not necessarily indicative of our results expected for future periods.

	For the Year Ended December 31,			
	2008	2009	2010	
	RMB	RMB	RMB	US\$
	(in thousands, except for per share data)			
<b>Total revenues</b>	222,626	262,347	528,696	80,105
Net advertising revenues	40,259	81,632	204,370	30,965
Paid service revenues	182,367	180,715	324,326	49,140
<b>Cost of revenues<sup>(1)</sup></b>	(163,502)	(170,062)	(299,423)	(45,367)
<b>Gross profit</b>	59,124	92,285	229,273	34,738
<b>Operating expenses:</b>				
Sales and marketing expenses <sup>(1)</sup>	(33,855)	(46,364)	(76,153)	(11,538)
General and administrative expenses <sup>(1)</sup>	(37,613)	(27,727)	(39,955)	(6,054)
Technology and product development expenses <sup>(1)</sup>	(17,104)	(16,579)	(31,012)	(4,699)
<b>Total operating expenses</b>	(88,572)	(90,670)	(147,120)	(22,291)
<b>Income/(loss) from operations</b>	(29,448)	1,615	82,153	12,447
<b>Other income/(expenses):</b>				
Interest income	1,049	496	582	88
Foreign currency exchange gain	512	22	313	47
Others, net	(415)	(186)	1,534	233
<b>Income/(loss) before tax</b>	(28,302)	1,947	84,582	12,815
Income tax benefits/(expenses)	149	(1,660)	(10,499)	(1,590)
<b>Net income/(loss) attributable to Phoenix New Media Limited</b>	(28,153)	287	74,083	11,225
<b>Net loss attributable to ordinary shareholders</b>	(28,153)	(31,267)	(165,418)	(25,063)
Net loss per ordinary share—Basic	(0.09)	(0.10)	(0.51)	(0.08)
Net loss per ordinary share—Diluted	(0.09)	(0.10)	(0.51)	(0.08)
Weighted average number of ordinary shares used in computing basic loss per share	320,013	321,388	327,045	327,045
Weighted average number of ordinary shares used in computing diluted loss per share	320,013	321,388	327,045	327,045
<b>Non-GAAP adjusted net income<sup>(2)</sup></b>	1,777	10,527	90,644	13,734



	As of December 31,					
	2008	2009	2010			
	RMB	RMB	RMB	US\$	RMB	US\$
	(in thousands)					
	(Pro-Forma) <sup>(1)</sup>					
<b>Consolidated Balance Sheet Data</b>						
Cash and cash equivalents	67,999	223,086	287,173	43,511	287,173	43,511
Accounts receivable, net	21,892	35,318	77,043	11,673	77,043	11,673
Total current assets	106,277	275,059	400,705	60,713	400,705	60,713
Total assets	144,208	314,302	447,262	67,767	447,262	67,767
Current liabilities	126,817	115,358	148,555	22,508	148,555	22,508
Total liabilities	127,942	116,931	152,038	23,036	152,038	23,036
Net assets	16,266	197,371	295,224	44,731	295,224	44,731
<b>Mezzanine equity:</b>						
Series A convertible redeemable preferred shares (US\$0.01 par value, 130 million shares authorized and issued as of December 31, 2009 and 2010; aggregate liquidation value of RMB197 million and RMB246 million as of December 31, 2009 and 2010, respectively, and none outstanding on a pro-forma basis as of December 31, 2010)	—	183,774	390,182	59,119	—	—
Total shareholders' equity/(deficit)	16,266	13,597	(94,958)	(14,388)	295,224	44,731
Total liabilities, mezzanine equity and shareholders' equity/(deficit)	144,208	314,302	447,262	67,767	447,262	67,767

- (1) Our consolidated balance sheet data as of December 31, 2010 is presented on a pro forma basis to reflect the automatic conversion of all of our outstanding Series A convertible redeemable preferred shares into 130,000,000 Class A ordinary shares immediately upon the closing of this offering.

## RISK FACTORS

*You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below and our consolidated financial statements and related notes, before making an investment in our ADSs. Any of the following risks and uncertainties could have a material adverse effect on our business, results of operations, financial condition and prospects. The market price of our ADSs could decline as a result of any of these risks and uncertainties, and you may lose all or part of your investment.*

### Risks Relating to Our Business and Industry

***We have a limited operating history, which makes it difficult to evaluate our business.***

We have a limited operating history for you to evaluate our business, financial performance and prospects. Significant growth in our business, employees, operations and revenues has occurred only since 2005. Our media convergence business model is new in China and we may not be able to achieve results or growth in future periods as we did in past periods. Although we have achieved profitability in recent periods, we incurred a net loss attributable to Phoenix New Media Limited for the fiscal year ended December 31, 2008. Our ability to achieve and maintain profitability depends on, among other factors, the growth of the Internet advertising market and mobile Internet services and applications industry in China, our ability to maintain cooperative relationships with Phoenix TV and mobile operators, our ability to control our costs and expenses and the continued relevance and usage of our wireless value-added services, or WVAS. We may not be able to achieve or sustain profitability on a quarterly or annual basis. Accordingly, due to our limited operating history, our historical growth rates may not be indicative of our future performance.

***If we fail to retain existing advertisers or attract new advertisers for our online advertising services, our business, results of operations and growth prospects could be materially affected.***

In 2008, 2009 and 2010, we generated 18.1%, 31.1% and 38.7% of our total revenues from advertising services. Going forward, we expect our net advertising revenues to contribute an increasing portion of our total revenues. Our ability to generate and maintain substantial advertising revenues will depend on a number of factors, many of which are ultimately beyond our control, including but not limited to:

- the acceptance of online advertising as an effective way for advertisers to market their businesses;
- the maintenance and enhancement of our brand;
- the development of independent and reliable means of measuring online traffic and verifying the effectiveness of our online advertising services;
- the development and retention of a large user base with attractive demographics for advertisers; and
- our ability to have continued success with innovative advertising services.

Our advertisers may choose to reduce or discontinue their business with us if they believe their advertising spending has not generated or would not generate enough sales to end customers or has not improved or would not effectively improve their brand recognition. In addition, certain technologies could potentially be developed and applied to block the display of our online advertisements and other marketing products on our website, which may in turn cause us to lose advertisers and adversely affect our operating results. Moreover, changes in government policies could restrict or curtail our online advertising services. Failure to retain our existing advertisers or attract new advertisers for our advertising services could seriously harm our business, results of operations and growth prospects.

We plan to strengthen our sales team in order to more effectively build and maintain loyal relationships with our advertisers and agencies. If we fail to improve our sales team or provide satisfactory customer service to our advertisers and agencies, our business and results of operations could be materially and adversely affected.

***Any failure to retain large advertising agencies or attract new agencies on reasonable terms could materially and adversely affect our business. If consolidation continues among Chinese advertising agencies, our gross margin may be negatively affected.***

Approximately 71.5%, 71.4% and 74.8% of our net advertising revenues in China were derived from advertising agencies in 2008, 2009 and 2010, respectively. We primarily serve our advertisers through advertising agencies and rely on these agencies for sourcing our advertisers and collecting advertising revenue. In consideration for these agencies' services, the agencies earn advertising agency service fees which are deducted from our gross advertising revenues. While advertising agencies in China commonly increase their agency service fees on a sliding scale basis along with increased volume of business, if our agency service fees increase at a materially disproportional rate relative to our gross advertising revenues, our results of operations may be negatively affected. We do not have long-term or exclusive arrangements with these agencies, and we cannot assure you that we will continue to maintain favorable relationships with them. If we fail to maintain favorable relationships with large advertising agencies or attract additional agencies, we may not be able to retain existing advertisers or attract new advertisers and our business and results of operations could be materially and adversely affected.

Over the years, there has been some consolidation among advertising agencies in China. If the consolidation trend continues and the market is effectively controlled by a small number of large advertising agencies, such advertising agencies may be in a position to demand higher advertising agency service fees based on increased bargaining power, which could reduce our net advertising revenues.

***If we fail to continue to anticipate user preferences and provide high quality content that attracts and retains users, we may not be able to generate sufficient user traffic to remain competitive.***

Our success depends on our ability to generate sufficient user traffic through the provision of attractive content. If we are not able to license popular premium content at commercially reasonable terms, if our desired premium content becomes exclusive to our competitors, or if we do not continue to possess an exclusive license to Phoenix TV's content, the attractiveness of our offerings to users may be severely impaired. We also produce content in-house, and intend to continue to invest resources in producing original content. If we are unable to continue to procure premium and distinctive licensed content or produce in-house content that meets users' tastes and preferences, we may lose users, and our operating results may suffer. In addition, we rely on our team of skilled editors to edit and repackage our sourced content in a timely and professional manner for our users and any deterioration in our editing team's capabilities or losses in personnel may materially and adversely affect our operating results. If our content fails to cater to the needs and preferences of our users, we may suffer from reduced user traffic and our business and results of operations may be materially and adversely affected.

***We may not be successful in growing our mobile Internet and value-added services, or MIVAS, business and any expected economic benefits from this business may not be realized.***

We have made significant efforts in recent years to expand our mobile Internet and value-added services, or MIVAS, which consists of digital reading services, mobile game services and WVAS. In 2008, 2009 and 2010, respectively, our MIVAS revenues accounted for 94.6%, 94.9% and 87.3% of our paid service revenues. However, our MIVAS business has a short operating history. As a result, there is limited financial data that can be used to evaluate our mobile business and its potential to generate

revenues in the future. In addition, we cannot assure you that we will be successful in developing our mobile business, which will depend, among other things, on our ability to:

- respond to market developments, including the development of new channels and technologies, and changes in pricing and distribution models;
- maintain and diversify our distribution channels, including through our own mobile Internet site, the platforms of China Mobile Communications Corporation, or China Mobile, and the other Chinese mobile operators, mobile device manufacturers and mobile application stores;
- develop new high quality MIVAS that can achieve significant market acceptance, and improve our existing MIVAS in a timely manner to extend their life spans and to maintain their competitiveness in the Chinese mobile market;
- supplement our internally developed MIVAS by acquiring mobile Internet applications and/or services from third-party mobile Internet developers or cooperating with third-party mobile Internet developers to jointly develop mobile Internet applications and/or services;
- develop and upgrade our technologies; and
- execute our business and marketing strategies successfully.

In addition, the MIVAS market, in particular with respect to mobile Internet services and applications, is an emerging market in China. The growth of this market and the level of demand and market acceptance of our services are subject to many uncertainties. The development of this market and our ability to derive revenues from this market depends on a number of factors, some of which are beyond our control, including but not limited to:

- the growth rate of mobile Internet in China;
- changes in consumer demographics and preferences;
- development in mobile device platform technologies and mobile Internet distribution channels; and
- potential competition from more established companies that decide to enter the mobile Internet market.

Due to the uncertainties in connection with our MIVAS in particular and the MIVAS industry in China generally, we cannot guarantee that our MIVAS will contribute significantly to our future revenues. Our failure to successfully develop this business could have a material adverse effect on our business, financial condition and results of operations.

***If we fail to successfully develop and introduce new products and services to meet the preferences of users, our competitive position and ability to generate revenues could be harmed.***

The preferences of media viewers are continuously evolving and we must continue to develop new products and services. If we fail to react to changes in user preferences in a timely manner or fall behind our competitors in providing innovative products and services, we may lose user traffic, which would negatively affect our results of operations. In addition, the planned timing or introduction of new products and services is subject to risks and uncertainties. Actual timing may differ materially from original plans. Unexpected technical, operational, distribution or other problems could delay or prevent the introduction of one or more of our new products or services. Moreover, we cannot be sure that any of our new products and services will achieve widespread market acceptance or generate incremental revenue. At the same time, other media providers may be more successful in developing more attractive products and services. If our efforts to develop, market and sell new products and services to the market are not successful, our financial position, results of operations and cash flows could be



materially adversely affected, the price of our ordinary shares could decline and you could lose part or all of your investment.

***We operate in highly competitive markets and we may not be able to compete successfully against our competitors.***

We face significant competition in the new media industry in China, including competition from major Internet portals, "pure play" Internet video companies, online video sites of major TV broadcasters and interactive and social network service providers, as well as companies with strong online video and MIVAS businesses. Some of our competitors have longer operating histories and significantly greater financial resources than we do, which may allow them to attract and retain more users and advertisers. Our competitors may compete with us in a variety of ways, including by obtaining exclusive online distribution rights for popular content, conducting more aggressive brand promotions and other marketing activities and making acquisitions to increase their user bases. If any of our competitors achieves greater market acceptance or are able to offer more attractive online content, interactive services or MIVAS than us, our user traffic and our market share may decrease, which may result in a loss of advertisers and have a material and adverse effect on our business, financial condition and results of operations.

We also face competition from traditional advertising media such as television, newspapers, magazines, billboards and radio. Most large companies in China allocate, and will likely continue to allocate, a significant portion of their advertising budgets to traditional advertising media, particularly television. 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.

***We have contracted with third-party content providers and we may lose users and revenues if these relationships deteriorate or arrangements are terminated.***

We have relied and will continue to rely mostly on third parties for the content we distribute across our channels. If these parties fail to develop and maintain high-quality and engaging content, raise their licensing fees or if a large number of our existing relationships are terminated, we could lose users and advertisers and our brand could be materially harmed. In addition, the Chinese government has the ability to restrict or prevent state-owned media from cooperating with us in providing certain content to us, which, if exercised, would result in a significant decrease in the amount of content we are able to source for our website and negatively impact our results of operations. Moreover, we cannot assure you that our third-party content providers will not increase their content licensing fees in the future, which would negatively affect our income from operations.

***We may not be able to continue to receive the same level of support from Phoenix TV in the future. We could lose our exclusive license to Phoenix TV's content, which would have a material adverse effect on our video VAS business, which accounted for 5.0% of our total revenues in 2010, and would also negatively affect our video advertising business. Together, these impacts could have a material adverse effect on our business and results of operation.***

Phoenix TV, our majority shareholder, is a leading global Chinese language TV network broadcasting premium content globally and into China. In November 2009, our PRC subsidiary, Fenghuang On-line, entered into a cooperation agreement with Phoenix TV, or the Phoenix TV Cooperation Agreement, under which Fenghuang On-line and Phoenix TV agreed to certain cooperative arrangements in the areas of content, branding, promotion and technology. Pursuant to the Phoenix TV Cooperation Agreement, in November 2009 each of our affiliated consolidated entities entered into a program content license agreement, or Content License Agreement, with Phoenix Satellite Television Company Limited and a trademark license agreement, or Trademark License

Agreement, with Phoenix Satellite Television Trademark Limited. Each of these agreements will expire in March 2016 unless both of the relevant parties agree to extend their respective terms.

We benefit materially from the exclusive license granted to our affiliated consolidated entities by Phoenix Satellite Television Company Limited, a wholly owned subsidiary of Phoenix TV, to use Phoenix TV's copyrighted content on our Internet and mobile channels in China pursuant to the Content License Agreements. This exclusive license helps to distinguish our content offerings from those of other Internet and new media companies in China. Each of the Content License Agreements can be terminated earlier (i) by the non-breaching party in the event of a breach and if the breach is not cured within ten business days after receipt of notice of breach from the non-breaching party, (ii) in the event of bankruptcy or the cessation of business operations of either party, or a change in the shareholder or equity structure of the relevant affiliated consolidated entity, other than in connection with the contractual arrangements, (iii) if either party's performance of its obligations is held unlawful under PRC law; or (iv) if an event occurs that adversely affects the performance by either party of its obligations and upon written notice by the unaffected party. The Content License Agreements will, unless extended further, expire in March 2016, or may be terminated early, and we may not be able to obtain rights to use Phoenix TV's content on our platform on commercially reasonable terms, on an exclusive basis or at all, which would have a material adverse effect on our video VAS, which accounted for 5.0% of our total revenues in 2010, and may also negatively affect our video advertising business. Together, these impacts could have a material and adverse effect on our business, results of operations and financial condition.

In addition, our affiliated consolidated entities are able to use certain of Phoenix TV's logos pursuant to the Trademark License Agreements. We believe that our use of these logos helps to affiliate us with the brand of Phoenix TV, which helps to enhance our own brand. Tianying Jiuzhou and Yifeng Lianhe are obligated to pay annual license fees of US\$7,000 and US\$3,000, respectively, under the Trademark License Agreements, which fees are not subject to adjustment and may be waived at the discretion of Phoenix TV. Each of these agreements may be terminated early (i) by agreement of both parties in writing or (ii) by the non-breaching party in the event of a material breach by the other party of any covenant or a material failure by such party to perform any of its obligation and if the breach or failure, as applicable, is not rectified within ten days of receipt of written notice from the non-breaching party. The Trademark License Agreements expire in March 2016 and we cannot assure you that we will be able to continue to use Phoenix TV's logos in order to help maintain our brand affiliation with Phoenix TV. If our brand image deteriorates as a result of a weaker brand affiliation with Phoenix TV, our business and the price of your ADSs could be negatively affected.

We provide our in-house produced content and UGC to Phoenix TV on a regular and frequent basis for display on its TV programs and Phoenix TV promotes our brand name and content on its TV network pursuant to the Phoenix TV Cooperation Agreement. As compensation for the rights granted to us under the Phoenix TV Cooperation Agreement, Fenghuang On-line is currently obligated to pay Phoenix TV an annual service fee in the amount of RMB1.6 million for the first year of the agreement, which incrementally increases by 25% for each subsequent year of the agreement. If Phoenix TV's indirect voting interest in Fenghuang On-line decreases to 50% or below, Phoenix TV has the right to amend the annual service fee under the Phoenix TV Cooperation Agreement, provided that it may not be raised to more than 500% of the original annual service fee. In addition to the annual service fee, Fenghuang On-line must also pay to Phoenix TV 50% of the after-tax revenues Tianying Jiuzhou earns from sublicensing Phoenix TV's video content to third parties, which is not subject to adjustment. In addition, if Phoenix TV's indirect equity interest in our company decreases to 35% or below, Phoenix TV has the right to immediately terminate the Phoenix TV Cooperation Agreement. The Phoenix TV Cooperation Agreement will, unless extended further, expire in March 2016, or may be terminated early, and therefore we cannot guarantee you that we may continue to benefit from promotional or other cooperative arrangements with Phoenix TV in the future. We cannot assure you that we will continue to receive the same level of support from Phoenix TV after we become a public company.

***Any negative development in Phoenix TV's market position, harm to Phoenix TV's brand or operations, or regulatory actions or legal proceedings affecting Phoenix TV's intellectual properties on which our business relies could materially and adversely affect our business and results of operations.***

Our business benefits significantly from our association with Phoenix TV's brand. Many of our users and advertisers are attracted to the "Phoenix" (鳳凰) brand, with which our brand, "ifeng.com" (鳳凰網) shares a similar Chinese name. Any negative development in Phoenix TV's market position or brand recognition may materially and adversely affect our marketing efforts and the popularity of our business. Any negative development in Phoenix TV's operations or attractiveness to users or advertisers may materially and adversely affect our business and results of operations. Moreover, as our benefits materially from the content licensed to us by Phoenix TV, any regulatory actions or legal proceedings against Phoenix TV related to such content could have a material adverse impact on our results of operation.

***If we are unable to keep pace with rapid technological changes in the Internet and mobile Internet industries, our business may suffer.***

The Internet and mobile Internet industries have been experiencing rapid technological changes. For example, with the advances of search engines and social networking sites, Internet users may choose to access information through search engines or social networking sites instead of web portals or similar websites. With the advances in Internet interactivity, the interests and preferences of Internet users may increasingly shift to UGC, such as blogs, micro-blogs, and video podcasts. As broadband becomes more accessible, Internet users may increasingly demand content in pictorial, audio-rich and video-rich format. With the development of the mobile Internet in China, mobile users may shift from the current predominant text messaging services and other WVAS to newer services, such as mobile commerce, mobile video streaming, mobile Internet browsing and mobile digital reading services. Our future success will depend on our ability to anticipate, adapt and support new technologies and industry standards. If we fail to anticipate and adapt to these and other technological changes, our market share and our profitability could suffer.

***Our lack of an Internet audio-visual program transmission license may expose us to administrative sanctions, including the banning of our video VAS, non-paid video services and video advertising services, which would materially and adversely affect our business and results of operation.***

The PRC government regulates the Internet industry extensively, including foreign ownership of, and the licensing requirements pertaining to, companies in the Internet industry. A number of regulatory agencies, including the State Administration of Radio, Film, and Television, or SARFT, the Ministry of Culture, or the MOC, the Ministry of Industry and Information Technology, or MIIT, the General Administration of Press and Publication, or GAPP, the State Council Information Office, or the SCIO, and other governmental authorities, jointly regulate all major aspects of the Internet industry. Operators are required to obtain various government approvals and licenses prior to providing the relevant Internet information services.

Pursuant to the *Administrative Provisions on Internet Audio-visual Program Service*, or the Audio-visual Program Provisions, which was issued by SARFT and MIIT on December 20, 2007 and came into effect on January 31, 2008, online transmission of audio and video programs requires an Internet audio-visual program transmission license and online audio-visual service providers must be either wholly state-owned or state-controlled. In a press conference jointly held by SARFT and MIIT to answer questions with respect to the Audio-visual Program Provisions in February 2008, SARFT and MIIT clarified that online audio-visual service providers that already had been operating lawfully prior to the issuance of the Audio-visual Program Provisions may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. See "Regulation—Regulation of Online Transmission of Audio-visual Programs."

We started offering Internet audio-visual program services through Tianying Jiuzhou in China prior to the issuance of the Audio-visual Program Provisions. Tianying Jiuzhou submitted an application to SARFT to apply for the Internet audio-visual program transmission license when the relevant regulation came into effect. However, as of the date of this prospectus, SARFT has not issued Tianying Jiuzhou an Internet audio-visual program transmission license. Although we have been communicating with the relevant government authorities, such government authorities have not informed us as to when they will make a decision on whether to issue such license to Tianying Jiuzhou. To date, we have not received any notice of warning or been subject to penalties or other disciplinary action from the relevant governmental authorities regarding our dissemination of audio-visual programs through our website or mobile channel without such license. We cannot assure you that Tianying Jiuzhou will be able to obtain the Internet audio-visual program transmission license. Due to Tianying Jiuzhou's lack of an Internet audio-visual program transmission license, the applicable local counterpart of SARFT may issue warnings, order us to rectify our violating activity and impose on us a fine of no more than RMB30,000. In case of severe contravention as determined by SARFT or its applicable local counterpart in its discretion, the applicable local counterpart of SARFT may ban the violating operations, seize our equipment in connection with such operations and impose a penalty of one to two times the amount of the total investment in such operations. The banning of our video VAS, non-paid video services and video advertising services would materially and adversely affect our business and results of operations.

***Our lack of an Internet news license may expose us to administrative sanctions, including an order to cease our Internet information services that provide political news or to cease the Internet access services provided by third parties to us. In 2010, approximately 42.0% of our total revenues were derived from Internet information services and services that relied on Internet access services from third parties.***

We are required to obtain an Internet news license from SCIO for the dissemination of news through our website. See "Regulation—Regulation of Internet News Dissemination." Tianying Jiuzhou submitted an application to the SCIO to apply for the Internet news license when the relevant regulation came into effect. However, as of the date of this prospectus, the SCIO has not issued an Internet news license to Tianying Jiuzhou. As a result of Tianying Jiuzhou's lack of an Internet news license, the SCIO or applicable information office at the provincial level may order us to cease the violating operations and impose a fine on us of not more than RMB30,000. In the case of severe contravention as determined by SCIO or its applicable local counterpart in its sole discretion, the telecommunications administrative authorities may, based on written confirmation opinions of SCIO or the applicable information office at the provincial level, and in accordance with the relevant regulations on Internet information services, cease our Internet information services that provide current political news or cease the Internet access services that third parties provide to us. In 2010, approximately 42.0% of our total revenues were derived from Internet information services and services that relied on Internet access services from third parties.

***During the course of the audit of our financial statements, we and our independent registered public accounting firm identified one material weakness and one significant deficiency in our internal control over financial reporting. If we fail to establish and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results in accordance with U.S. GAAP may be materially and adversely affected. In addition, investor confidence in us and the market price of our ADSs may decline significantly if we or our independent registered public accounting firm conclude that our internal control over financial reporting is not effective.***

We have a relatively short operating history and limited accounting personnel and other resources with which to address our internal controls and procedures over financial reporting prior to this offering. During the course of the audit of our consolidated financial statements for the year ended December 31, 2008, 2009 and 2010, we and our independent registered public accounting firm

identified one material weakness and one significant deficiency in our internal control over financial reporting, as defined in AU 325, Communicating Internal Control Related Matters Identified in an Audit, of the AICPA Professional Standards. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of our company's financial statements will not be prevented, or detected and corrected 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 weakness identified in connection with the audit of our financial statements in 2008, 2009 and 2010 relates to the lack of sufficient accounting personnel with appropriate understanding of U.S. GAAP accounting issues and the SEC reporting requirements. The significant deficiency relates to the lack of written accounting manual and closing procedures to facilitate preparation of financial statements for financial reporting purposes. The material weakness resulted in audit adjustments and corrections to our financial statements.

We appointed a chief financial officer with public company SEC reporting and U.S. GAAP experience in early December 2010. In addition, we plan to take initiatives to improve our internal control over financial reporting and disclosure controls, including (i) establishing an audit committee to oversee the accounting and financial reporting processes as well as external and internal audits of our company, (ii) establishing an internal audit function, (iii) hiring additional qualified professionals with relevant accounting experience for our finance and accounting department, (iv) providing additional accounting and financial reporting training for our accounting personnel, (v) standardizing our accounting systems by introducing additional programs and procedures, (vi) formalizing and standardizing policies and procedures in relation to period-end-closing and financial reporting at both headquarters and subsidiaries levels and (vii) increasing the level of interaction among our management, audit committee and other external advisors. However, the implementation of these initiatives may not fully address the material weakness and significant deficiency in our internal control over financial reporting. In addition, the process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate in satisfying our reporting obligations. Our failure to cure the material weakness and significant deficiency or our failure to discover and address any other weaknesses or deficiencies may result in inaccuracies in our financial statements in accordance with U.S. GAAP or delay in preparing our financial statements. 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. Ineffective internal control over financial reporting could also expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which our ADSs are listed, regulatory investigations or civil or criminal sanctions.

Upon the completion of this offering, we will become a public company in the United States that is, or will be, subject to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. The SEC, as required under Section 404 of the Sarbanes-Oxley Act, or Section 404, has adopted rules requiring public companies to include a report of management on the effectiveness of these companies' internal control over financial reporting in their annual reports. In addition, an independent registered public accounting firm must report on the effectiveness of public companies' internal control over financial reporting. These requirements will first apply to us beginning with our annual report on Form 20-F for the fiscal year ending December 31, 2012. Our management may conclude that our internal control over financial reporting is not effective due to our failure to cure the identified material weakness and significant deficiency or otherwise. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may not conclude that our internal control over financial reporting is effective or may issue a report that is qualified if it is not satisfied with our internal control over financial reporting or the level at which our

controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, during the course of the evaluation, documentation and testing of our internal control over financial reporting, we may identify deficiencies that we may not be able to remediate in time to meet the deadline imposed by the SEC for compliance with the requirements of Section 404. If we fail to achieve and maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act, our independent registered public accounting firm may determine that our internal control over financial reporting is not effective or it may decline to attest to the effectiveness of our internal control over financial reporting.

***We depend on China Mobile, a related party, and other PRC mobile telecommunications operators for the majority of our paid service revenues, and any termination or deterioration of our relationship with these telecommunications operators may result in severe disruptions to our business operations and the loss of the majority of our revenues.***

We derive substantially all of our MIVAS revenues, as well as our revenues from our mobile subscription and pay-per-view video services from the provision of content through the networks of the PRC telecommunications operators. In particular, we rely primarily on the networks of China Mobile, a shareholder of Phoenix TV since August 2006 with an equity interest of 19.71% as of March 31, 2011, to deliver our services. In 2008, 2009 and 2010, we derived approximately 90.3%, 87.0% and 86.8%, respectively, of our paid service revenues from China Mobile. Within these revenues, we generated a significant portion through fixed fee arrangements with China Mobile for our digital reading services. The remainder of our MIVAS revenues and revenues from our mobile subscription and pay-per-view video services are derived from China United Telecommunications Corporation, or China Unicom, and China Telecommunications Corporation, or China Telecom.

We have entered into a series of agreements with China Mobile and other Chinese mobile operators and their provincial subsidiaries to provide MIVAS and mobile subscription and pay-per-view video services through their networks. These mobile operators could terminate cooperation with us or refuse to perform their obligations to pay for the MIVAS and mobile subscription and pay-per-view video services we provide under the terms of our agreements with them for a variety of reasons, including failure to meet specified performance standards, the provision of poor services that gives rise to a high level of customer complaints or the delivery of content that violates the relevant operator's policies and applicable law. In addition, our agreements with the mobile operators are generally for terms of one year or less, the majority of which have automatic renewal provisions. There is no assurance that we will be able to renew these agreements on commercially reasonable terms, or at all. If any of the Chinese mobile operators ceases to cooperate with us, it is unlikely that such operator's customers will continue to use our mobile services. In particular, if China Mobile ceases to cooperate with us, it is unlikely that we will be able to build up sufficient new customers through the networks of other Chinese mobile operators to develop a customer base comparable to that which we have developed through China Mobile. Due to our reliance on China Mobile and other Chinese mobile operators to deliver our MIVAS and mobile subscription and pay-per-view video services to our customers, any termination or deterioration of our relationship with China Mobile or other Chinese mobile operators may result in severe disruptions to our business operations and the loss of the majority of our revenues, and could have a material adverse effect on our financial condition and results of operations.

In addition, our negotiating leverage with China Mobile and other Chinese mobile operators is limited because China Mobile and other Chinese mobile operators operate the mobile networks through which a large number of service and content providers deliver their products to mobile phone users in China. We cannot assure you that such operators will not adopt business strategies that could have a material adverse effect on our business. In addition, our ability to develop certain new MIVAS

or mobile video businesses going forward may be restricted by the business policies of China Mobile or other Chinese mobile operations. Due to our limited negotiating leverage with these mobile operators, we cannot exert any influence on their business decisions. Therefore, we cannot assure you that China Mobile or other Chinese mobile operators will not implement business strategies that could have a material adverse effect on our results of operation and financial condition, or limit our ability to grow our MIVAS or mobile video businesses in the future.

***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 maintain and increase user traffic;
- our ability to attract and retain advertisers;
- changes in the policies of mobile operators;
- changes in government policies or regulations, or their enforcement;
- geopolitical events or natural disasters such as war, threat of war, earthquake or epidemics.

Our operating results tend to be seasonal. For instance, we may have higher net advertising revenues during the fourth quarter of each year primarily due to greater advertising spending by our advertisers near the end of the year when they spend the remaining portions of their annual budgets. In addition, advertising spending in China has historically been cyclical, reflecting overall economic conditions as well as the budgeting and buying patterns of our customers.

***Our efforts to develop additional distribution channels for our MIVAS and mobile subscription and pay-per-view video services may not succeed or may be restricted or halted by telecommunications operators.***

Cooperation with mobile device manufacturers has provided us with an important distribution channel for our MIVAS and mobile video services businesses. We pre-install into the menus of certain mobile devices certain of our MIVAS icons and short codes for products offered on the multimedia messaging service, or MMS, short message service, or SMS, and interactive voice response, or IVR, platforms. A consumer who buys a new mobile device pre-installed with our MIVAS or mobile video icons and codes can access and subscribe to our services quickly and easily. Mobile device manufacturers have, through our cooperation with them, become an important distribution channel. We cannot guarantee that mobile device manufacturers will continue their cooperation with us directly or maintain their current revenue sharing arrangements with us.

***Our dependence on the billing systems and records of mobile operators may require us to estimate portions of our reported revenues and cost of revenues for most of our MIVAS and mobile subscription and pay-per-view video services, which may require subsequent adjustments to our financial statements.***

We depend largely on the billing systems and records of the telecommunications operators to record the volume of our MIVAS and mobile subscription and pay-per-view video services provided, bill

our customers, collect payments and remit to us our portion of the revenues. We record revenues based on monthly statements from the mobile operators confirming the value of our services that the mobile operators billed to customers during the month. Due to our past experience with the timing of receipt of the monthly statements from the mobile operators, we expect that we may need to rely on our own internal estimates for the portion of our reported revenues and cost of revenues for which we will not have received monthly statements. In such instances, our internal estimates would be based on our own internal data of expected revenues and related fees from services provided. As a result of such reliance on internal estimates, we may overstate or understate our revenues and cost of revenues for the relevant reporting period, and may be required to make adjustments in our financial reports when we actually receive the mobile operators' monthly statements for such period. We endeavor to reduce the discrepancy between our revenue estimates and the revenues calculated by the mobile operators and their subsidiaries; however, we cannot assure you that these efforts will be successful. In addition, we generally do not have the ability to independently verify or challenge the accuracy of the billing systems of the mobile operators. We cannot assure you that any negotiations between us and mobile operators to reconcile billing discrepancies would be resolved in our favor or that our financial condition and results of operations would not be materially and adversely affected as a result. Historically, there has been no significant difference between our revenue estimates and the mobile operators' billing statements.

***Significant changes in the policies or guidelines of China Mobile or other Chinese mobile operators with respect to services provided by us may result in lower revenues or additional costs for us and materially and adversely affect our business operations, financial condition and results of operations.***

China Mobile or other Chinese mobile operators may from time to time issue policies or guidelines, requesting or stating their preferences for certain actions to be taken by all mobile Internet service providers using their networks. Due to our reliance on China Mobile and other Chinese mobile operators, a significant change in their policies or guidelines may cause our revenues to decrease or operating costs to increase. We cannot assure you that our financial condition and results of operations will not be materially adversely affected by policy or guideline changes by China Mobile or other Chinese mobile operators.

For example, on November 30, 2009, China Mobile implemented a series of measures on PRC-based WAP sites targeted at eliminating offensive or unauthorized content, including pornographic content. As a result, China Mobile and other Chinese mobile operators suspended billing for their customers for all WAP and G+ mobile gaming platform services, including those services that do not contain offensive or unauthorized content, on behalf of third-party service providers of such services. China Mobile and mobile other operators have not yet indicated how long these new measures will remain in effect or whether they will expand the current measures. In the fourth quarter of 2009, mobile operators also imposed restrictions on pre-installations of mobile applications on handsets and tightened the requirement of additional billing confirmations. Largely due to such measures, our revenues from WVAS decreased in 2009 as compared to 2008.

In January 2010, China Mobile began implementing an additional series of measures targeted at further improving the user experience for mobile device embedded services, in addition to the introduction of a new short message service, or SMS, code management system. Under these measures, WVAS that are embedded in mobile devices will be required to introduce additional notices and confirmations to end-consumers during the purchase of such services. In addition, services related to SMS short codes will be required to be more tailored to the specific service offerings or service partners. Previously, a single SMS code could be used for multiple service offerings or partners.



We cannot assure you that China Mobile or other Chinese mobile operators will not introduce additional requirements with respect to the procedures for ordering monthly subscriptions or single-transaction downloads of our MIVAS (including WVAS) and our mobile subscription and pay-per-view video services, notifications to customers, the billing of customers or other consumer-protection measures or adopt other policies that may require significant changes in the way we promote and sell our MIVAS and mobile subscription and pay-per-view video services and develop our MIVAS and mobile video businesses, any of which could have a material adverse effect on our financial condition and results of operations.

***Our strategy of acquiring complementary assets, technologies and businesses may fail and may result in equity or earnings dilution.***

As part of our business strategy, we intend to identify and acquire assets, technologies and businesses that are complementary to our business. Acquired businesses or assets may not yield the results we expect. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortization expenses related to intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired business may be disruptive to our business operations. In addition, we may have to obtain approval from the relevant PRC governmental authorities for the acquisitions and comply with any applicable PRC rules and regulations, which may be costly. In the event our acquisitions are not successful, our financial condition and results of operation may be materially and adversely affected.

***Failure to obtain SARFT's approval for introducing and broadcasting foreign television programs could have a material adverse effect on our ability to conduct our business.***

A substantial amount of the video content on our website is closely linked to or is the online version of the TV content of Phoenix TV. PRC law requires approval from SARFT for introducing and broadcasting foreign television programs into China. In September 2004, SARFT promulgated certain regulations the *Administrative Regulations on the Introduction and Broadcasting of Foreign Television Programs*, pursuant to which only organizations designated by SARFT are qualified to apply to SARFT or its authorized entities for the introduction or broadcasting of foreign television programs. In addition, on July 6, 2004, SARFT issued the *Measures for the Administration of Publication of Audio-Visual Programs through the Internet or Other Information Networks*, or the 2004 A/V Measures, which explicitly prohibit Internet service providers from broadcasting any foreign television program over an information network and state that any violation may result in warnings, monetary penalties or, in severe cases, criminal liabilities. On November 19, 2009, SARFT issued a notice which extended this prohibition to broadcasting over mobile phones. In December 2007 and March 2009, however, SARFT issued two notices which provide that certain foreign audio-visual programs may be published through the Internet provided that certain regulatory requirements have been met and certain permits have been obtained, thereby implying that the absolute restriction against broadcasting foreign television programs on the Internet as set forth in the 2004 A/V Measures has been lifted. See "Regulation—Regulation of Foreign Television Programs and Satellite Channels." As of the date of this prospectus, we have not obtained an approval from SARFT for introducing and broadcasting foreign TV programs produced by Phoenix TV or other foreign TV stations in China. We have made oral inquiries with SARFT, and were orally informed that such operations do not violate the regulations on the introduction and distribution of foreign TV programs. Therefore, there is considerable uncertainty as to whether we are permitted to transmit foreign television programs through the online video services, including video VAS, that we offer. If SARFT or its local branch requires us to obtain its approval for our introduction and online broadcasting of overseas TV programs, we may not be able to obtain such approval in a timely manner or at all. In such case, the PRC government would have the power to,

among other things, levy fines against us, confiscate our income, order us to cease certain content service, or require us to temporarily or permanently discontinue the affected portion of our business.

***Failure to obtain certain permits for our health and Chinese medicine verticals would subject us to penalties.***

Entities in China are not allowed to provide drug-related or medical care information services online before obtaining an Internet Medicine Information Service Qualification Certificate and a Consent Letter for Internet Medical Care Information from the relevant local government agencies. See "Regulation—Regulation of Certain Internet Content." Certain of our verticals, such as our health and traditional Chinese medicine verticals contain drug-related information and certain online health diagnoses and treatment advices provided by our users. We do not currently have such certificate or consent letter, but have engaged an agency to assist us in applying for such certificate and consent letter. We cannot assure you that we may be able to obtain them. Without such certificate and consent letter, we may be subject to administrative warnings, termination of any Internet drug-related services and online health diagnoses and treatment services on our website, and other penalties that are not clearly provided for in the relevant regulations.

***If we fail to obtain or maintain all applicable permits and approvals relating to online games, our ability to conduct our online game business and certain other businesses could be affected and we could be subject to penalties and other administrative sanctions.***

Pursuant to PRC regulations regulating online games, online games (including mobile games) are categorized as a type of "online cultural product" and the provision of online games is deemed an Internet publication activity. Therefore, in order to operate an online game business, an operator should obtain an Online Culture Operating Permit from MOC (with a business scope covering operation of online games) and an Internet Publication License from GAPP in order to directly make its online games publicly available in China. Furthermore, pursuant to the *Provisional Measures on the Administration of Online Games* promulgated by MOC on June 3, 2010, an online mobile games operator should make a filing with MOC in respect of each domestic game within 30 days of commencing operations. In addition, each online game must be screened by GAPP by way of an approval process before it is first published and made publicly available. See "Regulation—Regulation of Online Cultural Activities, Online Games and Internet Music".

Both Tianying Jiuzhou and Yifeng Lianhe are currently operating online game businesses. As of the date of this prospectus, Tianying Jiuzhou has obtained an Online Culture Operating Permit from MOC with respect to its operation of online games, and an Internet Publication License from GAPP with respect to books and periodicals published on the Internet, including the mobile Internet, and online and mobile games. Yifeng Lianhe has not, however, obtained an Online Culture Operation Permit or an Internet Publication License. In addition, we have not obtained advanced approval for any of our online games from GAPP or filed our online games with MOC. We cannot assure you that (i) Yifeng Lianhe can obtain Online Culture Operating Permit from MOC allowing it to operate online games; (ii) Yifeng Lianhe can obtain an Internet Publication License; or (iii) Tianying Jiuzhou and Yifeng Lianhe can obtain all the required approvals and complete the relevant filing procedures with the relevant government authorities for each game they operate in a timely manner or at all. If the relevant authority challenges the commercial operation of our games and determines that we are in violation of the relevant laws and regulations regarding online and mobile games, it would have the power to, among other things, levy fines against us, confiscate our income and require us to discontinue our online game business. In addition, if we were deemed to be in violation of the relevant laws and regulations regarding online and mobile games, GAPP would have the ability to withdraw the Internet Publication License that it recently granted to Tianying Jiuzhou on April 15, 2011, which may affect, directly or indirectly, our ability to conduct our online digital reading services and game services.

***Our consolidated affiliated entities and their respective shareholders do not own the trademarks used in their value-added telecommunications services, which may subject them to revocation of their licenses or other penalties or sanctions.***

Pursuant to the *Notice on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services* issued on July 13, 2006 by MIIT, or the MIIT 2006 Notice, domestic telecommunications service providers are prohibited from leasing, transferring or selling telecommunications business operating licenses to any foreign investors in any form, or providing any resources, sites or facilities to any foreign investors for their operation of telecommunications businesses in China. According to the MIIT 2006 Notice, the holder of a value-added telecommunications business operating license, or ICP License, or its shareholders must directly own the domain names and trademarks used in their value-added telecommunications business operations. After the promulgation of the MIIT 2006 Notice in July 2006, the MIIT issued a subsequent notice in October 2006, or the MIIT October Notice, urging value-added telecommunication service operators to conduct self-examination regarding any noncompliance with the MIIT 2006 Notice prior to November 1, 2006. Pursuant to the MIIT October Notice, ICP License-holders who were not in compliance with the MIIT 2006 Notice were allowed to submit a self-correction report to the local provincial-level branch of MIIT by November 20, 2006.

Our PRC consolidated affiliated entities, Tianying Jiuzhou and Yifeng Lianhe, are currently engaged in the provision of value-added telecommunications services and each of them has obtained ICP Licenses from MIIT or its local counterpart in Beijing. In addition, Tianying Jiuzhou owns our material domain names, including ifeng.com. However, our affiliated consolidated entities have not registered any trademarks to date and all the trademarks used in the value-added telecommunications services of Tianying Jiuzhou and Yifeng Lianhe, which consist of certain of Phoenix TV's logos, are licensed from Phoenix Satellite Television Trademark Limited, a wholly owned subsidiary of Phoenix TV. Therefore, we are not currently in compliance with the MIIT 2006 Notice.

Phoenix Satellite Television Trademark Limited has completed the application form to transfer the "ifeng" logo, which the affiliated consolidated entities now license from Phoenix Satellite Television Trademark Limited, to Tianying Jiuzhou, and Tianying Jiuzhou has submitted the application to the PRC Trademark Office. It is expected that the transfer and related registration should take approximately six to nine months to complete. In addition, we will continue to examine the possibility of transferring to our affiliated consolidated entities all or part of the ownership of additional licensed logos currently used by them in a manner that would meet the requirements of PRC trademark regulations in due course in the future. Furthermore, we will register some of our own trademarks. We have begun the process of designing proprietary logos for use in the respective businesses of Tianying Jiuzhou and Yifeng Lianhe and plan to finish the designs in the next three months. Once the designs are finished, we plan to submit our registration applications to the PRC Trademark Office. The Trademark Office will first undertake a preliminary examination for compliance with the PRC Trademark Law, and if it finds our proposed trademarks to be in compliance, will make a public announcement allowing any person to file a claim to the trademark within a period of three months. If there is no such opposition, the Trademark Office will register the trademark, issue a registration certificate to us and make a public announcement. We expect the design and registration process to take approximately two years to complete. We intend to continue to use the logos we license from Phoenix TV in the interim period until our proprietary logos have been registered, and may continue to use these logos after our proprietary logos have been registered and the "ifeng" logo has been transferred to Tianying Jiuzhou.

Although, neither of our consolidated affiliated entities has been required by the MIIT or its local counterpart to obtain and hold the ownership of the relevant trademarks related to our value-added telecommunications services to date, the provincial-level counterpart of MIIT may enforce the MIIT 2006 Notice on our affiliated consolidated entities. In such case, the provincial-level counterpart of

MIIT could order our affiliated consolidated entities to own the registered trademarks used in their value-added telecommunications business within a specified period of time. We do not have knowledge about the period of time that MIIT would provide us to complete the necessary remediation measures. We are also not aware that since issuing the MIIT October Notice, MIIT has promulgated any additional notices or guidelines with respect to timelines for self-examination or remediation of noncompliance with the MIIT 2006 Notice. Moreover, the MIIT October Notice does not specify how much time the MIIT allows for ICP License-holders to remedy their noncompliance issues. If we failed to remedy any noncompliance within the time frame specified by the provincial counterpart of MIIT, the relevant governmental authority would have the discretion to revoke our affiliated consolidated entities' licenses for value-added telecommunications or subject them to other penalties or sanctions, which would have a material and adverse effect on our business, financial condition, results of operations and prospects. Our value-added telecommunications services currently account for substantially all of our total revenues.

***We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of Internet businesses and companies, including limitations on our ability to own key assets such as our website.***

The Chinese government heavily regulates the Internet industry, including foreign investment in the Chinese Internet industry, content on the Internet and license and permit requirements for service providers in the Internet industry. Since some of the laws, regulations and legal requirements with respect to the Internet are relatively new and evolving, their interpretation and enforcement involve significant uncertainties. In addition, the Chinese legal system is based on written statutes, such that prior court decisions can only be cited for reference and have little precedential value. As a result, in many cases it is difficult to determine what actions or omissions may result in liabilities. Issues, risks and uncertainties relating to China's government regulation of the Chinese Internet sector include the following:

- We operate our website in China through contractual arrangements due to restrictions on foreign investment in businesses providing value-added telecommunication services, including substantially all of our paid services and advertising services.
- Uncertainties relating to the regulation of the Internet business in China, including evolving licensing practices, give rise to the risk that some of our permits, licenses or operations may be subject to challenge, which may be disruptive to our business, subject us to sanctions or require us to increase capital, compromise the enforceability of relevant contractual arrangements, or have other adverse effects on us. The numerous and often vague restrictions on acceptable content in China subject us to potential civil and criminal liability, temporary blockage of our website or complete shut-down of our website. For example, the State Secrecy Bureau, which is directly responsible for the protection of state secrets of all Chinese government and Chinese Communist Party organizations, is authorized to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the distribution of online information. In addition, the newly amended *Law on Preservation of State Secrets* which became effective on October 1, 2010 provides that whenever an Internet service provider detects any leakage of state secrets in the distribution of online information, it should stop the distribution of such information and report to the authorities of state security and public security. As per request of the authorities of state security, public security or state secrecy, the Internet service provider should delete any contents on its website that may lead to disclosure of state secrets. Failure to do so on a timely and adequate basis may subject the service provider to liability and certain penalties imposed by the State Security Bureau, Ministry of Public Security and/or MIIT or their respective local counterparts.
- On September 28, 2009, GAPP and the National Office of Combating Pornography and Illegal Publications jointly published a circular expressly prohibiting foreign investors from participating

in Internet game operating business via wholly owned, equity joint venture or cooperative joint venture investments in China, and from controlling and participating in such businesses directly or indirectly through contractual or technical support arrangements. It is not clear yet as to whether other PRC government authorities, such as the Ministry of Commerce, or MIIT, will support GAPP in enforcing such prohibition.

- Due to the increasing popularity and use of the Internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the Internet or other online services covering issues such as user privacy, pricing, content, copyrights, distribution, antitrust and characteristics and quality of products and services. The adoption of additional laws or regulations may impede the growth of the Internet or other online services, which could, in turn, decrease the demand for our products and services and increase our cost of doing business. Moreover, the applicability to the Internet and other online services of existing laws in various jurisdictions governing issues such as property ownership, sales and other taxes, libel and personal privacy is uncertain and may take years to resolve. Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and other online services could significantly disrupt our operations or subject us to penalties.

The interpretation and application of existing PRC laws, regulations and policies, the stated positions of relevant PRC government authorities and possible new laws, regulations or policies 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.

***Failure to fully comply with PRC regulations regarding value-added telecommunications services may subject us to fines and other legal or administrative sanctions.***

Our affiliated consolidated entities provide value-added telecommunication services in China, from which we derive substantially all of our total revenues. Pursuant to the relevant PRC regulations regarding value-added telecommunications services, commercial operators of value-added telecommunications services must first obtain an ICP License from MIIT or its provincial-level counterparts. Operators providing ICP services across provinces are required to apply for a trans-regional ICP License directly from MIIT and make a filing with the relevant provincial counterparts of MIIT before they commence their operation in the relevant provinces. If there is any change or update to the registered information recorded on the ICP License or filed with the local provincial level counterparts of MIIT, the ICP License holder shall apply to MIIT or its relevant provincial-level counterpart to amend the relevant registered information or records. In addition, an approved ICP service operator must conduct its business in accordance with the specifications recorded on its ICP License. See "Regulation—Regulation of Telecommunications and Internet Information Services." In addition, with respect to services relating to SMS short codes, operators are required to obtain a SMS services access code license, or the SMS License, from MIIT or its provincial-level counterparts. If they provide services relating to SMS short codes across provinces, operators must apply for a trans-regional SMS License from MIIT and conduct filings with each of the provincial-level counterparts of MIIT where they conduct businesses. See "Regulation—Regulation of Telecommunications Networks Code Number Resources."

Each of our affiliated consolidated entities has obtained a trans-regional ICP License and a SMS License from MIIT and completed filing procedures in connection with the ICP License with the relevant MIIT provincial level counterparts prior to the commencement of its operations in the relevant provinces. Currently, Tianying Jiuzhou and Yifeng Lianhe are handling filing procedures in connection with SMS Licenses in certain provinces and updating certain information with regard to ICP Licenses and SMS Licenses filed with certain local MIIT counterparts. Failure to complete the SMS License filings in certain provinces or to update the filing information of the ICP Licenses in a timely manner,

may cause us to be ordered to rectify our noncompliance, given a warning and made subject to a fine of between RMB5,000 and RMB30,000. In addition, pursuant to the specifications recorded on the appendices to the ICP License of Tianying Jiuzhou and Yifeng Lianhe, Tianying Jiuzhou must establish a server platform as well as a branch office in each of Beijing, Zhengzhou, Henan Province and Dongguan, Guangzhou Province, and Yifeng Lianhe must establish server platforms as well as branch offices in each of Beijing and Nanjing Jiangsu Province. As of the date of this prospectus, Tianying Jiuzhou has not yet established server platforms or branch offices in Zhengzhou or Dongguan, and Yifeng Lianhe has not set up a server platform in Nanjing. Neither of Tianying Jiuzhou and Yifeng Lianhe has obtained any approval from MIIT allowing them to suspend, or waive the aforesaid requirement to establish branch offices and/or server platform(s) in the relevant cities. To date, Tianying Jiuzhou and Yifeng Lianhe have passed the annual inspections of their ICP Licenses and we have not received any notice of warning or penalties from MIIT or any of its local counterparts. If Tianying Jiuzhou or Yifeng Lianhe is deemed to be in violation of the relevant PRC regulations regarding value-added telecommunications services due to its non-compliance with respect to establishing certain servers or branch offices, MIIT or its applicable provincial-level counterpart may order us to rectify the noncompliance, confiscate the revenues generated therefrom and impose a fine of three to five times of the revenues (if the revenues generated therefrom are at least RMB50,000) or a fine of between RMB100,000 and RMB1,000,000 (if the revenues generated therefrom is less than RMB50,000). In such an event, we would promptly rectify the noncompliance by setting up the requisite branch offices and/or server platform(s), which would not be administratively difficult and would not cause us to incur material expenses. If we were to fail to do so and the MIIT or its relevant provincial-level counterpart deemed us to be in severe contravention of the relevant PRC regulations, then such authority may order us to stop doing business for internal rectification.

***The Chinese government may prevent us from advertising or distributing content, including UGC, that it believes is inappropriate and we may be subject to penalties for such content or we may have to interrupt or stop the operation of our website.***

China has enacted regulations governing Internet access and the distribution of news and other information. In the past, the Chinese government has stopped the distribution of information over the Internet or through mobile Internet devices that it believes violates Chinese law, including content that it believes is obscene or defamatory, incites violence, endangers the national security, or contravenes the national interest. In addition, certain news items, such as news relating to national security, may not be published without permission from the Chinese government. If the Chinese government were to take any action to limit or prohibit the distribution of information through our websites or through our services, or to limit or regulate any current or future content or services available to users on our network, our business could be significantly harmed.

In addition to professionally produced content, content from Phoenix TV and our in-house produced content, we allow our users to upload text and images (UGC) to our websites. We have a content screening team of 30 editors who are responsible for monitoring and preventing the public release of inappropriate or illegal content, including UGC, on our websites or through our services. Although we have adopted internal procedures to monitor the content displayed on our websites, due to the significant amount of UGC uploaded by our users, we may not be able to identify all the UGC that may violate relevant laws and regulations. Failure to identify and prevent inappropriate or illegal from being displayed on our websites may subject us to liability.

Moreover, because the definition and interpretation of prohibited content is in many cases vague and subjective, it is not always possible to determine or predict what content might be prohibited under existing restrictions or restrictions that might be imposed in the future. For example, in 2005, SARFT issued a notice prohibiting commercials for WVAS related to "fortune-telling" from airing on radio and television stations effective in February 2005. SARFT or other Chinese government authorities may prohibit the marketing of other Internet VAS, video VAS or MIVAS via a channel we depend on to generate revenues, which could have a material adverse effect on our business, results of operations or financial position.

***Content provided on our website may expose us to libel or other legal claims which may result in costly legal damages.***

Claims have been threatened and filed against us for libel, defamation, invasion of privacy and other theories based on the nature and content of the materials posted on our website. While we screen our content for such potential liability, there is no assurance that our screening process will identify all potential liability, especially liability arising from UGC and content we license from third parties. In the past, some of the claims brought against us have resulted in liability. Although none of such liability was material, we cannot assure you we will not be subject to future claims that could be costly, encourage similar lawsuits, distract our management team and harm our reputation and possibly our business.

***Advertisements on our website 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 website to ensure that such content is true, 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 from relevant governmental authorities, which include the local branch of the SAIC, the local branch of the State Food and Drug Administration, the local branch of the Ministry of Health and the local branch of the State Administration of Traditional Chinese Medicine. To fulfill these monitoring functions, we include clauses in all of our advertising contracts requiring that all advertising content provided by advertisers must comply with relevant laws and regulations. Pursuant to the contracts between us and advertising agencies, advertising agencies are liable for all damages to us caused by their breach of such representations. Before a sale is confirmed and the advertisement is publicly posted on our website, our account execution personnel, who comprise a separate back-office team, are required to review all advertising materials to ensure there is no racial, violent, pornographic or any other improper content, and will request the advertiser to provide proof of governmental approval if the advertisement is subject to special government review. 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, such as posting an advertisement for fake pharmaceutical product, PRC governmental authorities may force us to terminate our advertising operation or revoke our licenses.

A majority of the advertisements shown on our website are provided to us by third-party advertising agencies on behalf of advertisers. We cannot assure you that all of the content contained in such advertisements is true and accurate as required by the advertising laws and regulations. For example, the *Advertisement Law* provides that an advertisement operator who knows or should have known the posted advertisement is false or fraudulent will be subject to joint and several liability. Under the *Detailed Implementation Rules on the Administrative Regulations for Advertisement*, a website must not post any advertisements that are untrue or lacking the requisite governmental approval if such

type of advertisements are subject to special governmental review. However, for the determination of the truth and accuracy of the advertisements, there are no implementing rules or official interpretations, and such a determination is at the sole discretion of the relevant local branch of the SAIC, which results in uncertainty in the application of these laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations in the future, 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.

***Ineffective implementation of the separation of our advertising sales and regulatory compliance functions may result in insufficient supervision over the content of advertisements shown on our website and may subject us to penalties or administrative actions.***

We keep our advertising sales function separate from our team that is in charge of government compliance in order to prevent potential conflicts between our advertising business and our compliance with relevant PRC advertising laws and regulations. Before a sale is confirmed and the relevant advertisements are publicly posted on our website, our account execution personnel, who comprise a separate back-office team that does not interface directly with advertisers, are required to review all advertising materials to ensure that the relevant advertisements do not contain any racial, violent, pornographic or any other improper content. These personnel will request an advertiser to provide proof of governmental approval if its advertisement is subject to special governmental review. Such procedures are designed to enhance our regulatory compliance efforts. However, in the event that the separation of advertising sales and regulatory compliance functions is not effectively implemented, the content of our advertisements may not be in full compliance with applicable laws and regulations. If we are found to be in violation of applicable laws and regulations in the future, we may be subject to penalties and our reputation may be harmed. This may have a material and adverse effect on our business, financial condition and results of operations.

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

Our success depends on the continuous efforts and services of Mr. Shuang Liu, our chief executive officer, Mr. Ya Li, our chief operating officer, and other members of our experienced senior management team, including Ms. Qianli Liu, our chief financial officer, and Mr. Yulin Wang, our executive vice president of mobile video and online reading. If, however, one or more of our executives or other key personnel are unable or unwilling to continue to provide services to us, we may not be able to find suitable replacements easily or at all. 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 executives or key personnel, or attract and retain experienced executives or key personnel in the future. We do not maintain key-man life insurance for any of our key personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose advertisers, 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-compete provisions. However, if any dispute arises between us and our executives or key employees, these agreements may not be enforceable in China, where these executives and key employees reside, in light of uncertainties with China's legal system. See "—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could limit the protections available to you and us."

Our future success will also depend on our ability to attract and retain highly skilled technical, managerial, editorial, finance, marketing, sales and customer service employees. Qualified individuals are in high demand, and we may not be able to successfully attract, assimilate or retain the personnel we need to succeed.



***We have granted, and may continue to grant, stock options, restricted shares and restricted share units under our share incentive plans or adopt new share incentive plans in the future, which may result in increased share-based compensation expenses.***

We adopted a share option plan in June 2008 and a restricted share and restricted share unit plan in March 2011. As of the date of this prospectus, 19,008,200 restricted shares of our company, 5,602,855 contingently issuable shares, options to purchase 17,654,725 ordinary shares and restricted share units obligating our company to issue and deliver 10,030,958 ordinary shares are outstanding." See "Management—Share Incentive Plans". For the years ended December 31, 2008, 2009 and 2010, we recorded RMB29.9 million, RMB10.2 million and RMB16.6 million (US\$2.5 million), respectively, in share-based compensation expenses. We believe the granting of stock options is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant stock options to employees in the future. Our share-based compensation expenses will increase materially in the first quarter of 2011 from the fourth quarter of 2010 and these expenses may continue to increase, which may have an adverse effect on our results of operations in the relevant periods.

***We have been and expect we will continue to be exposed to intellectual property infringement and other claims, including claims based on content posted on our website, which could be time-consuming and costly to defend and may result in substantial damage awards and/or court orders that may prevent us from continuing to provide certain of our existing services.***

Our success depends, in large part, on our ability to operate our business without infringing third-party rights, including third party intellectual property rights. Companies in the Internet, technology and media industries own, and are seeking to obtain, a large number of patents, copyrights, trademarks and trade secrets, and they are frequently involved in litigation based on allegations of infringement or other violations of intellectual property rights or other related legal rights. There may be patents issued or pending that are held by others that cover significant aspects of our technologies, products, business methods or services. Although our license agreements with licensors of premium licensed content require that the licensors have the legal right to license such content to us and give us the right to promptly remove any content that we have been notified contains infringing material, we cannot ensure that each licensor has such authorization and we may not receive notification of infringement. If any purported licensor does not actually have sufficient authorization relating to the premium licensed content or right to license a work of authorship provided to us, we may be subject to claims of copyright infringement from third parties, and we cannot ensure we can be fully indemnified by the relevant licensor for all losses we may incur from such claims.

Third parties may take action and file claims against us if they believe that certain content on our site violates their copyrights or other related legal rights. We have been subject to such claims in the PRC. From January 1, 2008 to March 31, 2011, we have been subject to ten copyright infringement cases in the PRC, nine of which have been concluded. We have lost one case, settled five cases and three cases have been withdrawn. The damages awards or settlement we paid among the lost and settled cases range from approximately RMB6,000 to RMB300,000 per case.

In addition, our platform is open to Internet users for uploading text and images. As a result, content posted by our users may expose us to allegations by third parties of infringement of intellectual property rights, invasion of privacy, defamation and other violations of third-party rights. Pursuant to our user agreement, users agree not to use our services in a way that is illegal, obscene or may otherwise violate generally accepted codes of ethics. However, given the volume of content uploaded it is not possible, and we do not attempt to identify and remove all potentially infringing content uploaded by our users.

We cannot assure you that we will not become subject to copyright laws in other jurisdictions, such as the United States, by virtue of our listing in the United States, the ability of users to access our videos in the United States and other jurisdictions, the ownership of our ADSs by investors, the

extraterritorial application of foreign law by foreign courts or otherwise. In addition, as a publicly listed company, we may be exposed to increased risk of litigation. Although we have not previously been subject to legal actions for copyright infringement in jurisdictions other than China, it is possible that we may be subject to such claims in the future. Any such claims in China, U.S., or elsewhere, regardless of their merit, could be time-consuming and costly to defend, and may result in litigation and divert management's attention and resources. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party in China, U.S. or elsewhere could cause us to pay substantial damages. For example, statutory damage awards in the U.S. can range from US\$750 to US\$30,000 per infringement, and if the infringement is found to be intentional, can be as high as US\$150,000 per infringement. Additionally, the risk of an adverse determination in such litigation or an actual adverse determination may result in harm to our reputation or in adverse publicity. The risk of an adverse result or the actual adverse result in litigation may also require us to seek licenses from third parties, pay ongoing royalties or become subject to injunctions requiring us to remove content or take other steps to prevent infringement, each of which could prevent us from pursuing some or all of our business and result in our users and advertisers or potential users and advertising customers deferring or limiting their use of our services, which could materially adversely affect our financial condition and results of operations.

***We may not be able to adequately protect our intellectual property, which could cause us to be less competitive.***

We rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our copyrighted content and other intellectual property. Monitoring such unauthorized use is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources. The PRC has historically afforded less protection to a company's intellectual property than the United States and the Cayman Islands, and therefore companies such as ours operating in the PRC face an increased risk of intellectual property piracy.

***The discontinuation of any of the preferential tax treatments available to us in China could materially and adversely affect our results of operations and financial condition.***

Under PRC tax laws and regulations, our PRC subsidiary, Fenghuang On-line enjoyed, or is qualified to enjoy, certain preferential income tax benefits. The *Enterprise Income Tax Law*, effective on January 1, 2008, or the EIT Law, and its implementation rules significantly curtail tax incentives granted to foreign-invested enterprises. The EIT Law, however (i) reduces the statutory rate of enterprise income tax from 33% to 25%, (ii) permits companies established before March 16, 2007 to continue to enjoy their existing tax incentives, subject to certain transitional rules, and (iii) introduces new tax incentives, subject to various qualification criteria. For example, the EIT Law permits certain "high and new technology enterprises strongly supported by the state" to enjoy a reduced enterprise tax rate of 15%. According to the relevant administrative measures, to qualify as "high and new technology enterprises strongly supported by the state," Fenghuang On-line must meet certain financial and non-financial criteria and complete verification procedures with the administrative authorities. Continued qualification as a "high and new technology enterprise" is subject to a three-year review by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification. In the event the preferential tax treatment for Fenghuang On-line is discontinued or is not verified by the local tax authorities, and the affected entity fails to obtain preferential income tax treatment based on other qualifications such as Advanced Technology Service Enterprise, it will become subject to the standard PRC enterprise income tax rate of 25%. We cannot assure you that the tax authorities will not, in the future, discontinue any of our preferential tax

treatments, potentially with retroactive effect. On April 21, 2010, the State Administration of Taxation issued Circular 157 providing additional guidance on the interaction of certain preferential tax rates under the transitional rules of the EIT Law. Prior to Circular 157, we understood that if a high and new technology enterprise, or HNTE, entity was in a tax holiday period, where it was entitled to a 50% reduction in the tax rate, and it was also entitled to the 15% HNTE preferential tax rate, then it would be entitled to pay tax at the rate of 7.5%. Circular 157 appears on its face to have the effect that such an entity is entitled to pay taxes at either the lower of 15% or 50% of the applicable PRC tax rate (in terms of a foreign investment enterprise during transition period such as Fenghuang On-line, 22% for 2010, 24% for 2011 and 25% starting from 2012). However, to date, Beijing local-level tax bureau has not implemented Circular 157 and is holding the view that the relevant provisions may not apply to NHTEs in Science & Technology Park of Haidian District. Therefore, Fenghuang On-line's current tax rate remained unchanged. We expect the relevant tax authority to issue more guidance in the future and, upon the issuance of such guidance, Fenghuang On-line's effective tax rate may increase. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Taxation."

***Our operations could be disrupted by unexpected network interruptions caused by system failures, natural disasters or unauthorized tampering with our systems, and there is no assurance that our back-up system is sufficient to guarantee uninterrupted operation.***

The continual accessibility of website and the performance and reliability of our network infrastructure are critical to our reputation and our ability to attract and retain users, advertisers and merchants. Any system failure or performance inadequacy that causes interruptions in the availability of our services or increases the response time of our services could reduce our appeal to advertisers and consumers. Factors that could significantly disrupt our operations include: system failures and outages caused by fire, floods, earthquakes, power loss, telecommunications failures and similar events; software errors; computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems; and security breaches related to the storage and transmission of proprietary information, such as credit card numbers or other personal information. Although we perform system back-up on a regular basis, there is no assurance that our back-up system is sufficient to guarantee uninterrupted operation. Future disruptions or any of the foregoing factors could damage our reputation, require us to expend significant capital and other resources and expose us to a risk of loss or litigation and possible liability. We do not carry business interruption insurance to compensate for losses that may occur as a result of any of these events. Accordingly, our revenues and results of operations may be materially and adversely affected if any of the above disruptions should occur.

***We have limited business insurance coverage.***

The insurance industry in China is still young and the business insurance products offered in China are limited. We do not have any business liability or disruption insurance coverage for our operations. Any business disruption, litigation or natural disaster may cause us to incur substantial costs and divert our resources.

***A prolonged slowdown in the PRC economy may materially and adversely affect our results of operations, financial condition, prospects and future expansion plans.***

Since the second half of 2008, global credit and capital markets, particularly in the United States and Europe, have experienced difficult conditions. These challenging market conditions have resulted in reduced liquidity, greater volatility, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and lack of market confidence. These factors, combined with declining business and consumer confidence and increased unemployment in the United States and elsewhere in the world, have precipitated a global economic slowdown, including a slowdown in the rate of economic growth in recent quarters in China. Given the dramatic change in the overall credit environment and economy, it is difficult to predict how long these conditions will exist and the extent

to which we may be affected. While there have been signs of economic recovery in China and the world's major economies, there can be no assurance that the economic recovery may be sustained. As a result, prolonged disruptions to the global credit and capital markets and the global economy may materially and adversely affect the Chinese economy, consumer spending in China and our business, results of operations, financial condition, prospects and future expansion plans.

***We may become a passive foreign investment company, or PFIC, which could result in adverse United States federal income tax consequences to United States Holders (as defined below).***

Based upon the past and projected composition of our income and valuation of our assets, including goodwill, we do not expect to be a "passive foreign investment company," or PFIC, for the current taxable year, and we do not expect to become one in the future, although there can be no assurance in this regard. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, we will be classified as a PFIC for United States federal income tax purposes for any taxable year in which: (i) at least 75% of our gross income in a taxable year is passive income, or (ii) at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income. The calculation of the value of our assets will be based, in part, on the quarterly market value of our ADSs, which is subject to change. See "Taxation—Material United States Federal Income Tax Consequences—Passive Foreign Investment Company."

In addition, there are substantial uncertainties as to the treatment of our corporate structure and ownership of our affiliated consolidated entities for United States federal income tax purposes. If it is determined that we do not own the stock of our affiliated consolidated entities for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we would likely be treated as a PFIC.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, such characterization could result in adverse United States federal income tax consequences to you if you are a United States Holder, as defined under "Taxation—Material United States Federal Income Tax Consequences." For example, if we are or become a PFIC, you may become subject to increased tax liabilities under United States federal income tax laws and regulations, and will become subject to burdensome reporting requirements. You can sometimes avoid the adverse tax consequences of the PFIC tax rules with respect to the stock you own in a PFIC by electing to treat such PFIC as a "qualified electing fund" under Section 1295 of the Code. However, this election is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election. See "Taxation—Material United States Federal Income Tax Consequences—Passive Foreign Investment Company."

If we were a PFIC for any year during which a United States Holder held our ADSs or ordinary shares, we generally would continue to be treated as a PFIC for all succeeding years during which such United States Holder held our ADSs or ordinary shares. See "Taxation—Material United States Federal Income Tax Consequences—Passive Foreign Investment Company." We cannot assure you that we will not be a PFIC for the current taxable year or any future taxable year. Moreover, the determination of our PFIC status is based on an annual determination that cannot be made until the close of a taxable year. This investigation includes ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income we earn, which involves extensive factual investigation and cannot be completed until the close of a taxable year, and therefore, our U.S. counsel expresses no opinion with respect to our PFIC status.

## Risks Relating to Our Corporate Structure

***Phoenix TV (BVI) will own our Class B ordinary shares with 1.3 votes per share immediately prior to the completion of this offering, allowing it and Phoenix TV to exercise significant influence over matters subject to shareholder approval, and their interests may not be aligned with the interests of our other shareholders.***

Phoenix TV (BVI), a wholly owned direct subsidiary of Phoenix TV, owns 64.84% of our total issued and outstanding shares prior to this offering, and immediately following this offering will beneficially own % of our outstanding shares, or % if the underwriters exercise their overallotment option in full, in each case assuming that the entire assured entitlement distribution to Phoenix TV's shareholders is made in ADSs. Moreover, all shares held by Phoenix TV (BVI) will become Class B ordinary shares with 1.3 votes per share immediately prior to the completion of this offering. As a result, Phoenix TV (BVI) will hold % of the total voting power of our shares immediately following this offering, or % if the underwriters exercise their overallotment option in full. Accordingly, Phoenix TV (BVI), and Phoenix TV through Phoenix TV (BVI), will have substantial control over the outcome of corporate actions requiring shareholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction, and their interests may not align with the interests of our other shareholders. Phoenix TV (BVI) may take actions that are not in the best interest of us or our other shareholders and may also delay or prevent a change of control or otherwise discourage a potential acquirer from attempting to obtain control of us, even if such a change of control would benefit our other shareholders. This significant concentration of share ownership may adversely affect the trading price of our ADSs due to investors' perception that conflicts of interest may exist or arise.

***We may have conflicts of interest with Phoenix TV and, because of Phoenix TV's controlling beneficial ownership interest in our company, may not be able to resolve such conflicts on terms favorable for us.***

Conflicts of interest may arise between Phoenix TV and us in a number of areas relating to our past and ongoing relationships. Potential conflicts of interest that we have identified include the following:

- *Our board members or executive officers may have conflicts of interest.* Certain of our board members and executive officers own shares, restricted share units and/or options in Phoenix TV. Phoenix TV may continue to grant incentive share compensation to certain of our board members and executive officers from time to time. These relationships could create, or appear to create, conflicts of interest when these persons are faced with decisions with potentially different implications for Phoenix TV and us.
- *Sale of shares in our company.* Phoenix TV (BVI) may decide to sell all or a portion of our shares that it beneficially owns to a third party, including to one of our competitors, thereby giving that third party substantial influence over our business and our affairs. Such a sale could be contrary to the interests of certain of our shareholders, including our employees or public shareholders.
- *Competition.* We do not have a non-compete agreement with Phoenix TV and therefore neither we nor Phoenix TV is prohibited from entering into competition with each other in respect of our respective current businesses or new businesses.
- *Allocation of business opportunities.* Business opportunities may arise that both we and Phoenix TV find attractive, and which would complement our respective businesses. We and Phoenix TV do not have an agreement governing the allocation of new business opportunities presented to us and Phoenix TV in the future, and therefore, it is not certain which company will have the priority to pursue such business opportunities when such opportunities arise.

Although our company is a separate, stand-alone entity, Phoenix TV (BVI), a wholly owned direct subsidiary of Phoenix TV, will own Class B ordinary shares immediately prior to the completion of this offering, each of which will be entitled to 1.3 votes on all matter subject to shareholders' vote, and we expect to operate as a part of the Phoenix TV group. Phoenix TV may from time to time make strategic decisions that it believes are in the best interests of its business as a whole, including our company. These decisions may be different from the decisions that we would have made on our own. Phoenix TV's decisions with respect to us or our business may be resolved in ways that favor Phoenix TV and therefore Phoenix TV's own shareholders, which may not coincide with the interests of our other shareholders. We may not be able to resolve any potential conflicts, and even if we do so, the resolution may be less favorable to us than if we were dealing with non-controlling shareholder. Even if both parties seek to transact business on terms intended to approximate those that could have been achieved among unaffiliated parties, this may not succeed in practice.

***If the PRC government finds that the agreements that establish the structure for operating our businesses 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 would 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 and mobile Internet businesses. Specifically, pursuant to the *Regulations for Administration of Foreign-Invested Telecommunications Enterprises issued by the State Council* issued on December 11, 2001 and amended on September 10, 2008, foreign ownership in an Internet content provider or other value-added telecommunication service providers may not exceed 50%. We conduct our operations in China principally through contractual arrangements among our wholly-owned PRC subsidiary, Fenghuang On-line and two consolidated affiliated entities in the PRC, namely, Yifeng Lianhe and Tianying Jiuzhou, and their respective shareholders. Yifeng Lianhe holds the licenses and permits necessary to conduct our mobile business in China, while Tianying Jiuzhou holds the licenses and permits necessary to conduct our Internet portal, video, mobile Internet business, and Internet advertising and related businesses in China. Our contractual arrangements with Yifeng Lianhe and Tianying Jiuzhou and their respective shareholders enable us to exercise effective control over these entities and hence treat them as our consolidated affiliated entities and consolidate their results. For a detailed discussion of these contractual arrangements, see "Our History and Corporate Structure."

We cannot assure you, however, that we will be able to enforce these contracts. Although we believe we are in compliance with current PRC regulations, we cannot assure you that the PRC government would agree that these 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 our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, block our website, require us to restructure our operations, impose additional conditions or requirements with which we may not be able to comply, or take other regulatory or enforcement actions against us that could be harmful to our business. The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business.

***We rely on contractual arrangements with our affiliated consolidated entities in China, and their shareholders, for our business operations, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest.***

We rely on and expect to continue to rely on contractual arrangements with our affiliated consolidated entities in China and their respective shareholders to operate our Internet and mobile

Internet businesses. These contractual arrangements may not be as effective in providing us with control over the affiliated consolidated entities as ownership of controlling equity interests would be in providing us with control over, or enabling us to derive economic benefits from the operations of, the affiliated consolidated entities. If we had direct ownership of the affiliated consolidated entities, we would be able to exercise our rights as a shareholder to (i) effect changes in the board of directors of those entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level, and (ii) derive economic benefits from the operations of the affiliated consolidated entities by causing them to declare and pay dividends. However, under the current contractual arrangements, as a legal matter, if any of the affiliated consolidated entities or any of their shareholders fails to perform its, his or her respective obligations under these contractual arrangements, we may have to incur substantial costs and resources to enforce such arrangements, and rely on legal remedies available under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective. For example, if shareholders of an affiliated consolidated entity were to refuse to transfer their equity interests in such affiliated consolidated entity to us or our designated persons when we exercise the purchase option pursuant to these contractual arrangements, we may have to take a legal action to compel them to fulfill their contractual obligations.

If (i) the applicable PRC authorities invalidate these contractual arrangements for violation of PRC laws, rules and regulations, (ii) any affiliated consolidated entity or its shareholders terminate the contractual arrangements or (iii) any affiliated consolidated entity or its shareholders fail to perform their obligations under these contractual arrangements, our business operations in China would be adversely and materially affected, and the value of your ADSs would substantially decrease. Further, if we fail to renew these contractual arrangements upon their expiration, we would not be able to continue our business operations unless the then current PRC law allows us to directly operate the applicable businesses in China.

In addition, if any affiliate consolidated entity or all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of the affiliated consolidated entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, our ability to generate revenue and the market price of your ADSs.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. The legal environment in the PRC is not as developed as in some 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. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our operating entities, and our ability to conduct our business may be negatively affected.

***The shareholders of our affiliated consolidated entities may have potential conflicts of interest with us.***

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in Internet and mobile Internet businesses. The shareholders of our affiliated consolidated entities are individuals who are PRC citizens. Since we are over 85% owned by foreign investors, none of the shareholders of our affiliated consolidated entities are significant shareholders of our company. In addition, one of the shareholders, Mr. Yinxia Liu, does not own any shares or rights to purchase any shares of our company. Therefore, the interests of these individuals as shareholders of the affiliated consolidated entities and the interests of our company may conflict. We cannot assure you that when conflicts of interest arise, any or all of these individuals will act in the best interests of our company or that any conflict of interest will be resolved in our favor. In addition, these individuals may breach or

cause the affiliated consolidated entities that they beneficially own to breach or refuse to renew the existing contractual arrangements, which will have an adverse effect on our ability to effectively control our affiliated consolidated entities and receive economic benefits from them. Currently, we do not have existing arrangements to address potential conflicts of interest between these shareholders and our company. We rely on these shareholders to abide by the laws of the Cayman Islands and China. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of the affiliated consolidated entities, we would have to rely on legal proceedings, the outcome of which is uncertain and which could be disruptive to our business.

***The contractual arrangements with the affiliated consolidated entities may be subject to scrutiny by the PRC tax authorities and may result in a finding that we owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income.***

Under applicable PRC laws, rules and regulations, arrangements and transactions between related parties may be subject to audits or challenges by the PRC tax authorities. If any of the transactions we have entered into between our wholly-owned subsidiary in China and any of the affiliated consolidated entities and their respective shareholders are determined by the PRC tax authorities not to be on an arm's length basis, or are found to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, the PRC tax authorities may adjust the profits and losses of such affiliated consolidated entity and assess more taxes on it. In addition, the PRC tax authorities may impose late payment fees and other penalties to such affiliated consolidated entity for under-paid taxes. Our net income may be adversely and materially affected if the tax liabilities of any of the affiliated consolidated entities increase or if it is found to be subject to late payment fees or other penalties.

***We may rely on dividends and other distributions on equity paid by our wholly-owned operating subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our operating subsidiary 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 paid by Fenghuang On-line, our PRC subsidiary, for our cash requirements, including the funds necessary to service any debt we may incur. If Fenghuang On-line incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements Fenghuang On-line currently has in place with the affiliated consolidated entities in a manner that would materially and adversely affect the ability of Fenghuang On-line to pay dividends and other distributions to us. Further, relevant PRC laws, rules and regulations permit payments of dividends by Fenghuang On-line only out of its retained earnings, if any, determined in accordance with accounting standards and regulations of China. Under PRC laws, rules and regulations, Fenghuang On-line is also required to set aside a portion of its net income each year to reserve funds and staff incentive and welfare funds. Fenghuang On-line must set aside at least 10% of after-tax income each year to reserve funds prior to payment of dividends until the cumulative fund reaches 50% of the registered capital. As for staff incentive and welfare funds, the contribution percentage is to be decided by Fenghuang On-line on its own discretion. As a result of these PRC laws, rules and regulations, Fenghuang On-line is restricted from transferring a portion of its net assets to us whether in the form of dividends. As of December 31, 2010, Fenghuang On-line's restricted reserves totaled RMB9.1 million. These restricted reserves are not distributable as cash dividends. Any limitation on the ability of our operating subsidiary to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.



***Strengthened scrutiny over acquisition and disposition transactions by the PRC tax authorities may have a negative impact on us or your disposition of our shares or ADS.***

Our operations and transactions are subject to review by the PRC tax authorities pursuant to relevant PRC laws and regulations. However, these laws, regulations and legal requirements change frequently, and their interpretation and enforcement involve uncertainties. For example, on April 30, 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the *Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business*, or Circular 59. On December 10, 2009, the State Administration of Taxation issued the *Notice on Strengthening the Management on Enterprise Income Tax for Equity Transfers of Non-resident Enterprises*, or Circular 698. Both Circular 59 and Circular 698 became effective retroactively on January 1, 2008. Pursuant to the two circulars, in the event that we or Phoenix Satellite Television Information Limited dispose of any equity interests in Fenghuang On-line, whether directly or indirectly, we or Phoenix Satellite Television Information Limited may be subject to income tax on capital gains generated from disposition of such equity interests. The PRC tax authorities have the discretion under Circular 59 and Circular 698 to make adjustments to taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of the corresponding investment. If the PRC tax authorities make such an adjustment, our income tax costs will be increased.

By promulgating and implementing the circulars, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer by non-resident enterprises of equity interests in PRC resident enterprises. For example, Circular 698 specifies that the PRC State Administration of Taxation is entitled to redefine the nature of an equity transfer where offshore holding vehicles are interposed for tax-avoidance purposes and without reasonable commercial purpose. Further, non-resident enterprises may be required to submit filings with the PRC tax authorities to report their indirect transfer of equity interests in a PRC resident company if certain criteria are met, *i.e.*, where the transferred offshore holding vehicle is incorporated in a tax jurisdiction where the capital gain tax rate is less than 12.5%. It is not clear to what extent the holders of our shares or ADS may be subject to these requirements. We have conducted and may conduct acquisitions and dispositions involving complex corporate structures, and we may not be able to make timely filings with the PRC tax authorities as required. The PRC tax authorities may, at their discretion, impose or adjust the capital gains on us or the holders of our shares or ADS or request us or the holders of our shares or ADS to submit additional documentation for their review in connection with any relevant acquisition or disposition, and thus cause us or the holders of our shares or ADS to incur additional costs.

### **Risks Relating to Doing Business in China**

***Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and materially and adversely affect our competitive position.***

Since substantially all of our business operations are conducted in China, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including:

- the degree of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange;
- access to financing; and

- the allocation of resources.

While the Chinese economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on our operations. For example, our results of operations and financial condition may be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. From late 2003 to mid-2008, the PRC government implemented a number of measures, such as increasing the People's Bank of China's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which had the effect of slowing the growth of credit availability. In response to the recent global and Chinese economic downturn, the PRC government has promulgated several measures aimed at expanding credit and stimulating economic growth. Since September 2008, the People's Bank of China has decreased the statutory deposit reserve ratio and lowered benchmark interest rates several times in response to the global downturn. However, since January 2010, the People's Bank of China has begun to increase the statutory reserve ratio in response to rapid domestic growth, which may have a negative impact on the Chinese economy. It is unclear whether PRC economic policies will be effective in sustaining stable economic growth in the future. In addition, other economic measures, as well as future actions and policies of the PRC government, could also materially affect our liquidity and access to capital and our ability to operate our business. Substantially all of our assets are located in China and substantially all of our revenues are derived from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are subject, to a significant extent, to economic, political and legal developments in China.

***Uncertainties with respect to the PRC legal system could limit the protections available to you and us.***

The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. We conduct substantially all of our business through our subsidiary and consolidated affiliates and their subsidiaries established in China. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of Chinese administrative and court proceedings and the level of legal protection we enjoy in China than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our employees, business partners, customers and suppliers. In addition, such uncertainties, including the inability to enforce our contracts, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in

China may not be as effective as in the United States or other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

***Fluctuations in exchange rates of the Renminbi could materially affect our reported results of operations.***

The exchange rates between the Renminbi and the U.S. dollar, Euro and other foreign currencies is affected by, among other things, changes in China's political and economic conditions. In July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi was permitted to fluctuate within a band against a basket of certain foreign currencies. As a result, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. However, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. For almost two years after July 2008, the RMB traded within a very narrow range against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the RMB fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. In June 2010, the PRC government announced that it would increase RMB exchange rate flexibility. However, it remains unclear how this flexibility might be implemented. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar.

As we may rely on dividends and other fees paid to us by our subsidiary and affiliated consolidated entities in China, any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. To the extent that we need to convert U.S. dollars we received from our initial public offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

***You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China, based on United States or other foreign laws, against us, our management or the experts named in this prospectus.***

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a majority of our senior executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon our senior executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, our PRC counsel has advised us that China does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of legal judgments. For more information regarding the relevant laws of the China and the Cayman Islands, see "Enforceability of Civil Liabilities."

***PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds from this offering to make loans or additional capital contributions to our PRC subsidiary and affiliated consolidated entities.***

In utilizing the proceeds from this offering, as an offshore holding company of our PRC subsidiary and affiliated consolidated entities, we may make loans to our PRC subsidiary and affiliated consolidated entities, or we may make additional capital contributions to our PRC subsidiary. Any loans to our subsidiary or affiliated consolidated entities in China are subject to PRC regulations, registrations and/or approvals. For example, loans by us, as an offshore holding company, to our affiliated consolidated entities must be approved by the relevant government authorities and registered with the State Administration of Foreign Exchange or SAFE, or its local counterpart. If we provide loans to our PRC subsidiary, the total amount of such loans may not exceed the difference between its total investment as approved by the foreign investment authorities and its registered capital at the time of the provision of such loans. Such loans need to be registered with the SAFE which usually takes no more than 20 working days to complete. The cost of completing such registration is minimal. We may also determine to finance our PRC subsidiary by means of capital contributions. These capital contributions must be approved by the Ministry of Commerce or its local counterpart. Because the affiliated consolidated entities are domestic PRC enterprises, we are not likely to finance their activities by means of capital contributions due to regulatory issues relating to foreign investment in domestic PRC enterprises, as well as the licensing and other regulatory issues. We cannot assure you that we can obtain the required government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiary or any of the affiliated consolidated entities. If we fail to receive such registrations or approvals, our ability to use the proceeds from this offering and to fund our operations in China would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

In addition, on August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. SAFE Circular 142 provides that the Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC, unless it is provided for otherwise. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. We expect that if we convert the net proceeds we receive from this offering into Renminbi pursuant to SAFE Circular 142, our use of Renminbi funds will be for purposes within the approved business scope of our PRC subsidiary. Such business scope permits our PRC subsidiary to provide technical and operational support to our affiliated consolidated entities. However, we may not be able to use such Renminbi funds to make equity investments in the PRC through our PRC subsidiary.

***If the PRC government finds that our PRC beneficial owners are subject to the SAFE registration requirement under SAFE Circular No. 75 and the relevant implementing rules and our PRC beneficial owners fail to comply with such registration requirements, such PRC beneficial owners may be subject to personal liability, our ability to acquire PRC companies or to inject capital into our PRC subsidiary may be limited, our PRC subsidiary's ability to distribute profits to us may be limited, or our business may be otherwise materially and adversely affected.***

SAFE has promulgated several regulations, including the *Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments*

via *Overseas Special Purpose Companies*, or SAFE Circular No. 75, effective on November 1, 2005, and the relevant implementing rules thereunder. These regulations require PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside of China, referred to as an "offshore special purpose company", for the purpose of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. In addition, any PRC resident that is the shareholder of an offshore special purpose company is required to amend his or her SAFE registration with the local SAFE branch, with respect to any material events of that offshore special purpose company, such as any increase or decrease of its capital, transfer of shares, merger, division, equity investment or creation of any security interest over any assets located in China. Furthermore, PRC subsidiaries of an offshore special purpose company are required to coordinate and supervise the filing of a SAFE registration by the offshore special purpose company's shareholders who are PRC residents in a timely manner. See "Regulation—Regulation of Foreign Exchange Registration of Offshore Investment by PRC Residents".

Based on the opinion of our PRC counsel, Zhong Lun Law Firm, we understand that the aforesaid registration requirement under SAFE Circular No. 75 and the relevant implementing rules do not apply to our PRC subsidiary or our PRC resident beneficial owners due to the following reasons: (i) our company was incorporated and controlled by Phoenix TV, a Hong Kong listed company, rather than any PRC residents defined under SAFE Circular No. 75; (ii) none of the former or current shareholders of our PRC consolidated affiliated entities established or acquired interest in our company by injecting the assets of, or equity interest in, our consolidated affiliated entities; and (iii) all of our PRC resident beneficial owners obtained interest in our company through exercise of options granted to them under our employee share option plan. However, we cannot assure you that the PRC government would hold the same opinion as us, and the relevant government authorities have broad discretion in interpreting these rules and regulations. If SAFE or any of its local branches requires our PRC resident beneficial owners to register their interest in our company pursuant to SAFE Circular No 75 and the related implementing rules, we will request our PRC resident beneficial owners to make the necessary registration, filings and amendments as required. However, we cannot provide any assurances that these PRC resident beneficial owners will apply for and complete any applicable registrations, filing and amendments. The failure or inability of such PRC resident beneficial owners to do so may subject our PRC subsidiary 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.

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

Under the applicable PRC regulations, PRC citizens who participate in an employee stock ownership plan or a stock option plan in an overseas publicly-listed company are required to register with the SAFE and complete certain other procedures. These participants should retain a PRC agent, which can be a subsidiary of the overseas listed company in China to handle various foreign exchange matters associated with their employee stock options plans. In the case of a stock ownership plan, an overseas custodian bank should be retained by the PRC agent to hold in trusteeship all overseas assets held by such participants under the employee share ownership plan. In the case of a stock option plan, a financial institution with stock brokerage qualification in the jurisdiction where the overseas publicly-listed company is listed or a qualified institution designated by the overseas publicly-listed company is required to be retained by the PRC agent to handle matters in connection with the exercise or sale of stock options for the stock option plan participants. The PRC agents or employers should, on behalf of the domestic individuals, apply annually to the SAFE or its competent local branches for a quota for

the conversion and/or payment of foreign currencies in connection with the domestic individuals' exercise of the employee stock options. The foreign exchange proceeds received by the domestic individuals from sale of shares under the stock option plans granted by the overseas listed companies must be remitted into the bank accounts in China opened by their employers or PRC agents. We and our PRC citizen employees who participate in an employee stock ownership plan or a stock option plan will be subject to these regulations when our company becomes a publicly-listed company in the United States. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and other legal or administrative sanctions. See "Regulation—Regulations on Employee Share Options."

***The approval of the China Securities Regulatory Commission, or the CSRC, may be required in connection with this offering. Any requirement to obtain prior CSRC approval could delay, or create uncertainties regarding, this offering, and our failure to obtain this approval, if required, could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs.***

On August 8, 2006, six PRC regulatory authorities, including the CSRC, jointly promulgated the 2006 M&A Rules, which were later amended on June 22, 2009. According to the 2006 M&A Rules, an offshore special purpose vehicle, or SPV, refers to an overseas company controlled directly or indirectly by domestic companies or individuals for purposes of overseas listing of equity interests in domestic companies (defined as enterprises in the PRC other than foreign invested enterprises). If an SPV purchases, for the purpose of overseas listing and by means of paying consideration in shares of such SPV, domestic interests held by PRC domestic companies or individuals controlling such SPV, then the overseas listing by the SPV must obtain the approval of the CSRC. However, the applicability of the 2006 M&A Rules with respect to CSRC approval is unclear. The CSRC currently has not issued any definitive rule concerning whether offerings like the offering contemplated by our company are subject to the 2006 M&A Rules and related clarifications.

Our PRC counsel, Zhong Lun Law Firm, has advised us that the 2006 M&A Rules do not require that we obtain prior CSRC approval for the listing and trading of our ADSs on the New York Stock Exchange, given that:

- the CSRC approval requirement applies to SPVs that acquired equity interests in PRC companies through share exchanges and seek overseas listing;
- our PRC operating subsidiary was incorporated indirectly by Phoenix TV, a Hong Kong-listed company, rather than a SPV as defined under the 2006 M&A Rules; and
- our PRC operating subsidiary was incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our company of the equity interest or assets of any "domestic company" as defined under the 2006 M&A Rules, and no provision in the 2006 M&A Rules classifies the contractual arrangements between our PRC operating subsidiary and each of the affiliated consolidated entities as a type of acquisition transaction falling under the 2006 M&A Rules.

Our PRC counsel has further advised us that there are uncertainties regarding the interpretation and application of relevant PRC laws, regulations and rules. If the CSRC subsequently determines that its prior approval is required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations, limit our operating privileges, delay or restrict sending the proceeds from this offering into China, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered hereby. Consequently, if

you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that such settlement and delivery may not occur.

We cannot predict when the CSRC may promulgate additional rules or other guidance, if at all. If implementing rules or guidance is issued prior to the completion of this offering and consequently we conclude that we are required to obtain CSRC approval, this offering will be delayed until we obtain CSRC approval, which may take several months or longer. Moreover, implementing rules or guidance, to the extent issued, may fail to resolve current ambiguities under this new PRC regulation. Uncertainties and/or negative publicity regarding this new PRC regulation could have a material adverse effect on the trading price of our ADSs.

***The approval of the Ministry of Commerce may be required in connection with the establishment of our contractual arrangements with the affiliated consolidated entities. Our failure to obtain this approval, if required, could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs.***

The 2006 M&A Rules also provide that approval by the Ministry of Commerce is required prior to a foreign company acquiring a PRC domestic company where the foreign company and the domestic company have the same *de facto* controlling person(s) that are PRC domestic individual(s) or enterprise(s). The applicability of the 2006 M&A Rules with respect to the Ministry of Commerce's approval is unclear.

Our PRC legal counsel has advised us that an approval from the Ministry of Commerce is not required for our contractual arrangements among our PRC operating subsidiary and each of the affiliated consolidated entities, based on their understanding of the current PRC laws, rules and regulations, given that our PRC operating subsidiary was incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our company of the equity interest or assets of any "domestic company" as defined under the 2006 M&A Rules, and no provision in the 2006 M&A Rules classifies the contractual arrangements between our PRC operating subsidiary and each of the respective affiliated consolidated entities as a type of acquisition transaction falling under the 2006 M&A Rules.

However, if the Ministry of Commerce subsequently determines that its prior approval was required for our contractual arrangements with the affiliated consolidated entities, we may face regulatory actions or other sanctions from the Ministry of Commerce or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on us and the affiliated consolidated entities, require us to restructure our ownership structure or operations, limit our operations, delay or restrict sending the proceeds from this offering into China, or take other actions. These regulatory actions could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs.

***Governmental control of currency conversion may affect the value of your investment.***

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiary. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi 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 in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

***Dividends we receive from our operating subsidiary located in the PRC may be subject to PRC withholding tax.***

The PRC Enterprise Income Tax Law, or the EIT Law, provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are "non-resident enterprises," to the extent such dividends are derived from sources within the PRC, and the State Council of the PRC has reduced such rate to 10% through the implementation regulations. We are a Cayman Islands holding company and substantially all of our income may be derived from dividends we receive from our subsidiary located in the PRC. Thus, dividends paid to us by our subsidiary in China may be subject to the 10% income tax if we are considered as a "non-resident enterprise" under the EIT Law. If we are required under the EIT Law to pay income tax for any dividends we receive from our subsidiary in China, it would materially and adversely affect the amount of dividends, if any, we may pay to our shareholders and ADS holders.

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

The EIT Law also provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate as to their worldwide income. Under the implementation regulations for the EIT Law issued by the PRC State Council, "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. Although substantially all of our operational management is currently based in the PRC, it is unclear whether PRC tax authorities would treat us as a PRC resident enterprise. Despite the present uncertainties as a result of limited guidance from PRC tax authorities on the issue, we do not believe that our legal entities organized outside of the PRC should be treated as residents under the EIT Law. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and results of operations.

***Dividends payable by us to our foreign investors and gain on the sale of our ADSs or ordinary shares may become subject to taxes under PRC tax laws.***

Under the EIT Law and implementation regulations issued by the State Council, PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. The implementation regulations of the EIT Law set forth that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as China-sourced income. It is not clear how "domicile" may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC tax resident enterprise for tax purposes, the dividends we pay with respect to our ordinary shares or ADSs, or the



gain you may realize from the transfer of our ordinary shares or ADSs, may be treated as income derived from sources within the PRC and be subject to PRC withholding tax. Furthermore, it is unclear in these circumstances whether holders of our ordinary shares or ADSs would be able to claim the benefit of income tax treaties entered into between China and other countries or regions. If we are required under the EIT Law to withhold PRC income tax on dividends payable to our non-PRC investors that are "non-resident enterprises," or if you are required to pay PRC income tax on the transfer of our ordinary shares or ADSs, the value of your investment in our ordinary shares or ADSs may be materially and adversely affected.

***We may be required to register our operating offices not located at our residence addresses as branch companies under PRC law.***

Under PRC law, a company setting up premises outside its resident address for business operations must register such operating offices with the relevant local industry and commerce bureau at the place where such premises are located as branch companies and shall obtain business licenses for such branches. Our affiliated consolidated entities have operations at locations other than their respective resident addresses. If the PRC regulatory authorities determine that we are in violation of relevant laws and regulations, we may be subject to relevant penalties, including fines, confiscation of income, and suspension of operation. If we are subject to these penalties, our business, results of operations, financial condition and prospects could be materially and adversely affected.

### **Risks Relating to this Offering**

***There has been no public market for our ordinary shares or ADSs prior to this offering, and you may not be able to resell our ADSs at or above the price you paid, or at all.***

Prior to this initial public offering, there has been no public market for our ordinary shares or ADSs. We have applied to list our ADSs on the New York Stock Exchange. Our ordinary shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system. If an active trading market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs will be materially and adversely affected.

The initial public offering price for our ADSs will be determined by negotiations between us and the underwriters and may bear no relationship to the market price for our ADSs after the initial public offering. An active trading market for our ADSs may not develop and the market price of our ADSs may decline below the initial public offering price.

***The market price for our ADSs may be volatile which could result in a loss to you.***

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

- announcements of competitive developments;
- regulatory developments in China affecting us, our clients or our competitors;
- announcements regarding litigation or administrative proceedings involving us;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- addition or departure of our executive officers;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares or ADSs; and
- sales or perceived sales of additional ordinary shares or ADSs.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

***We have not determined a specific use for a portion of our net proceeds from this offering and we may use these proceeds in ways with which you may not agree.***

We have not determined a specific use for a portion of our net proceeds of this offering. Our management will have considerable discretion in the application of these proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. The net proceeds may be used for corporate purposes that do not improve our profitability or increase our ADS price. The net proceeds from this offering may also be placed in investments that do not produce income or lose value.

***Since the initial public offering price is substantially higher than our net tangible book value per share, you will incur immediate and substantial dilution.***

If you purchase our ADSs in this offering, you will pay more for your ADSs than the amount paid by our existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately US\$            per ADS (assuming no exercise by the underwriters of their option to purchase additional ADSs), representing the difference between our net tangible book value per ADS as of December 31, 2010, after giving effect to this offering at an assumed initial public offering price of US\$            per ADS, the midpoint of the estimated public offering price range set forth on the cover of this prospectus. In addition, you may experience further dilution to the extent that our ordinary shares are issued upon the exercise of share options. See "Dilution" for a more complete description of how the value of your investment in our ADSs will be diluted upon completion of this offering.

***Substantial future sales or perceived 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 after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Upon completion of this offering, we will have            ordinary shares outstanding, including            Class B ordinary shares and            Class A ordinary shares represented by            ADSs assuming that the entire assured entitlement to Phoenix TV's shareholders is made in ADSs, and            ordinary shares outstanding, including            Class B ordinary shares and            Class A ordinary shares represented by ADSs, if the underwriters exercise their over-allotment option in full and assuming that the entire assured entitlement distribution to Phoenix TV's shareholders is made in ADSs. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. Except with respect to Phoenix TV (BVI), our existing shareholder and a wholly owned subsidiary of Phoenix TV, to the extent necessary to allow Phoenix TV to make available to its shareholders an "assured entitlement" to a certain number of our ADSs, the remaining ordinary shares outstanding after this offering will be available for sale upon the expiration of certain lock-up arrangements entered into between us, the underwriters and other shareholders as further described under "Underwriting" and "Shares Eligible for Future Sale." In addition, ordinary shares that certain option holders will receive when they exercise their share options will not be available for sale until the expiration of any relevant lock-up periods, subject to volume and other restrictions that may be applicable under Rule 144 and Rule 701 under the Securities Act. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

In addition, certain of our shareholders or their transferees and assignees will have the right to cause us to register the sale of their shares under the Securities Act upon the occurrence of certain circumstances. See "Description of Share Capital." Registration of these shares under the Securities Act would result in 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 public market could cause the price of our ADSs to decline.

***Our dual-class ordinary share structure with different voting rights could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.***

Our second amended and restated memorandum and articles of association that will become effective immediately prior to the completion of this offering provide for a dual-class ordinary share structure. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to 1.3 votes per share. We will issue Class A ordinary shares represented by our ADSs in this offering. Our existing shareholder, Phoenix TV (BVI), which is wholly owned by Phoenix TV, will hold Class B ordinary shares, each of which is convertible into one Class A ordinary share at any time by the holder thereof, upon the completion of this offering. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Due to the disparate voting rights attached to these two classes, our existing shareholders will have significant voting rights over matters requiring shareholder approval, including the election and removal of directors and certain corporate transactions, such as mergers, consolidations and other business combinations. This concentrated control could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

***Anti-takeover provisions in our articles of association may discourage a third party from offering to acquire our company, which could limit your opportunity to sell your ADSs at a premium.***

Our second amended and restated articles of association that will become effective immediately prior to the completion of this offering include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change of control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of us in a tender offer or similar transaction.

For example, our board of directors will have the authority, without further action by our shareholders, to issue preference shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares. Preference shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. In addition, if our board of directors issues preference shares, the market price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be adversely affected.

***As a foreign private issuer, we are permitted to, and we may, rely on exemptions from certain NYSE corporate governance standards applicable to U.S. issuers. This may afford less protection to holders of our ordinary shares and ADSs.***

The NYSE Listed Company Manual in general require listed companies to have, among other things, a majority of its board be independent, an audit committee consisting of a minimum of three members and a nominating and corporate governance committee consisting solely of independent

directors. As a foreign private issuer, we are permitted to, and we will, follow home country corporate governance practices instead of the above requirements of the NYSE Listed Company Manual. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of our board to consist of independent directors or the implementation of an audit committee or nominating and corporate governance committee. We will rely upon the relevant home country exemption and exemptions afforded to controlled companies in lieu of certain corporate governance practices, such as having less than a majority of the board be independent and establishing an audit committee consisting of two independent directors. As a result, the level of independent oversight over management of our company may afford less protection to holders of our ordinary shares and ADSs.

***We will be a foreign private issuer and, as a result, we will not be subject to U.S. proxy rules and will be subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. issuer.***

Upon consummation of this offering, we will report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a foreign private issuer. As a foreign private issuer, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic issuers, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time, and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, the executive compensation disclosure requirements to which we will be subject under Form 20-F will be less rigorous than those required of U.S. issuers under Form 10-K. Furthermore, in the fiscal years ending on or after December 15, 2011, foreign private issuers will not be required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are not large accelerated filers or accelerated filers are required to file their annual report on Form 10-K within 90 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation FD, aimed at preventing issuers from making selective disclosures of material information. Although we intend to make quarterly reports available to our shareholders in a timely manner and are required under the Exchange Act to provide current reports on Form 6-K, you may not have the same protections afforded to stockholders of companies that are not foreign private issuers.

***We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. law, you may have less protection of your shareholder rights than you would under U.S. law.***

Our corporate affairs are governed by our second amended and restated memorandum and articles of association, the Cayman Islands Companies Law (as amended) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law 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 that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. 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 precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. Furthermore, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a

federal court of the United States. As a result, public shareholders may have more difficulties in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a Delaware company.

***Judgments obtained against us by our shareholders may not be enforceable.***

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted in the PRC. In addition, most of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors. Moreover, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of United States courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, there is uncertainty as to whether such Cayman Islands or PRC courts would be competent to hear original actions brought in the Cayman Islands or the PRC against us or such persons predicated upon the securities laws of the United States or any state.

***Holders of ADSs must act through the depositary to exercise their rights as shareholders of our company.***

Holders of our ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement for the ADSs. Under our second amended and restated memorandum and articles of association, the minimum notice period required to convene a general meeting is seven days. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

***The depositary for our ADSs will give us a discretionary proxy to vote our ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests.***

Under the deposit agreement for the ADSs, the depositary will give us a discretionary proxy to vote our ordinary shares underlying your ADSs at shareholders' meetings if you do not vote, unless:

- we have failed to timely provide the depositary with our notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting; or
- a matter to be voted on at the meeting would have a material adverse impact on shareholders.

The effect of this discretionary proxy is that you cannot prevent our ordinary shares underlying your ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

***You may be subject to limitations on transfers 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.

***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 or other distributions 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 the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depository will not make rights available to you unless either both the rights and any related securities are registered under the Securities Act, or the distribution of them to ADS holders is exempted 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. Moreover, we may not be able to establish an 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.

In addition, the depository 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 depository may, at its discretion, decide that it is impractical to make a distribution available to any holders of ADSs. For example, the depository 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 depository may decide not to distribute such property and you will not receive any such distribution.

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. 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 the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as "aim," "anticipate," "believe," "estimate," "expect," "intend," "likely to," "may," "plan," "will" or other similar expressions. 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, business strategy and financial needs. These forward-looking statements include:

- our growth strategies, including without limitation strategies to grow particular products or services;
- our future business development, results of operations and financial condition;
- expected changes in our revenues, including in components of our total revenues, and certain cost or expense items;
- our ability to manage the expansion of our operations; and
- changes in general economic and business conditions in China.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement that includes this prospectus with the understanding that our actual future results may be materially different from what we expect. You should not rely upon forward-looking statements as predictions of future events.

Other sections of this prospectus include additional factors that could adversely impact our business and financial performance. 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.

This prospectus also contains statistical data and estimates, including those relating to market size and growth rates of the markets in which we participate, that we obtained from industry publications and reports, including, among others, a report generated by Gartner Inc. The Gartner report described herein, or the Gartner Report, represents data, research opinion or viewpoints published, as part of a syndicated service, by Gartner and are not representations of fact. The Gartner Report speaks as of its original publication date (and not as of the date of this prospectus) and opinions expressed in the Gartner Report are subject to change without notice.

## USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US\$            million, or approximately US\$            million if the underwriters exercise their option to purchase additional ADSs in full, in each case after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial public offering price of US\$            per ADS, the midpoint of the initial public offering price range set forth on the cover of this prospectus. A US\$1.00 increase (decrease) in the assumed initial public offering price would increase (decrease) our net proceeds from this offering by US\$            million, or US\$            million if the underwriters exercise their option to purchase additional ADSs in full, in each case after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

We intend to use the net proceeds from this offering for the following purposes:

- US\$            million for content acquisition and production;
- US\$            million for product development and technology infrastructure; and
- US\$            million for marketing and sales.

We intend to use the remaining portion of the net proceeds we receive from this offering for other general corporate purposes, including potential facilities upgrade, and for potential acquisitions although we are not currently negotiating any acquisition transactions.

The foregoing represents our current intentions to use and allocate the net proceeds of this offering based upon our present plans and business conditions. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus.

Pending use of the net proceeds, we intend to hold our net proceeds in demand deposits or invest them in interest-bearing government securities.

In utilizing the proceeds from this offering, as an offshore holding company, we are permitted, under PRC laws and regulations, to provide funding to our PRC operating subsidiary only through loans or capital contributions and to our affiliated consolidated entities only through loans. Subject to the satisfaction of applicable government registration and approval requirements, we may extend loans to our operating subsidiary and affiliated consolidated entities in China or make additional capital contributions to our operating subsidiary in China to fund their capital expenditures or working capital. For an increase of registered capital of our PRC subsidiary, we need to receive approval from the Ministry of Commerce of the PRC or its local counterparts, who will decide within 90 days after receiving the application documents. If we provide funding to our PRC subsidiary through loans, the total amount of such loans may not exceed the difference between its total investment as approved by the foreign investment authorities and its registered capital. Such loans should be registered with the SAFE which usually takes no more than 20 working days to complete. The cost of obtaining such approvals or completing such registration is minimal. If we are not able to receive such approvals in a timely basis or at all, we may consider adopting legally permissible alternatives, including we and our PRC subsidiary entering into transactions by which our PRC subsidiary borrows RMB loans from a financial institution in China and we or any of our offshore entities providing corporate guarantees to an offshore affiliate of such financial institution in connection with the borrowing of such a loan by our PRC subsidiary.

We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See "Risk Factors—Risks Relating to Our Corporate Structure—PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds from this offering to make loans or additional capital contributions to our PRC subsidiary and affiliated consolidated entities."



## DIVIDEND POLICY

Our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board of directors may deem relevant.

We have not paid in the past and do not have any present plan to declare and pay any dividends on our ordinary shares or ADSs in the near future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiary in China, which in turn relies on the payments received from our affiliated consolidated entities in China pursuant to the contractual arrangements that established our corporate structure. Current PRC laws, rules and regulations permit our PRC subsidiary to pay dividends to us only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our subsidiary in China is required to set aside a certain amount of its accumulated after-tax profits each year to fund statutory reserves. These reserves may not be distributed as cash dividends. Further, if our subsidiary in China incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us.

If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

## CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2010:

- on an actual basis; and
- on a pro forma basis to reflect the automatic conversion of all of our outstanding Series A convertible redeemable preferred shares into 130,000,000 Class A ordinary shares immediately upon the completion of this offering and the re-designation of our outstanding ordinary shares held by Phoenix TV (BVI) into Class B ordinary shares immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect (i) the automatic conversion of all of our outstanding Series A convertible redeemable preferred shares into 130,000,000 Class A ordinary shares immediately upon the completion of this offering, (ii) the re-designation of our outstanding ordinary shares held by Phoenix TV (BVI) into Class B ordinary shares immediately prior to the completion of this offering, and (iii) the sale of Class A ordinary shares in the form of ADSs by us in this offering at an assumed initial public offering price of US\$            per ADS, the midpoint of the estimated initial public offering price range set forth on the cover of this prospectus, after deducting the estimated underwriting discounts and commissions and offering expenses payable by us and assuming no exercise of the underwriters' option to purchase additional ADSs.

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of December 31, 2010		
	Actual RMB	Pro-forma RMB (unaudited)	Pro-forma as adjusted <sup>(1)</sup> RMB (unaudited)
	(in thousands)		
Series A convertible redeemable preferred shares, US\$0.01 par value, total preferred shares authorized 130,000,000, 130,000,000 shares issued and outstanding	390,182	—	
Equity:			
Ordinary shares, US\$0.01 par value, 870,000,000 shares authorized, 493,497,237 shares issued and outstanding, 173,497,237 Class A, ordinary shares issued and outstanding on a pro forma basis, and 320,000,000 Class B ordinary shares issued and outstanding on a pro forma basis	25,140	33,720	
Additional paid-in capital <sup>(2)</sup>	—	381,602	
Statutory reserve	10,314	10,314	
Accumulated deficits	(129,411)	(129,411)	
Accumulated other comprehensive income	(1,001)	(1,001)	
Total (deficit) equity <sup>(2)</sup>	(94,958)	295,224	
Total capitalization <sup>(2)</sup>	295,224	295,224	

(1) Assumes that the entire assured entitlement distribution to Phoenix TV's shareholders is made in ADS.

(2) A US\$1.00 increase (decrease) in the assumed initial public offering price of \$            per ADS would increase (decrease) each of additional paid-in capital, total shareholders' equity and total capitalization by US\$            million.

## DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after the offering. Dilution results from the fact that the per ordinary share offering price of our ADSs is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares.

Our net tangible book value at December 31, 2010 was US\$44.4 million, or US\$0.12 per ordinary share and US\$            per ADS. Net tangible book value represents total consolidated tangible assets less total consolidated liabilities. Our pro forma net tangible book value at December 31, 2010 was US\$44.4 million, or US\$0.12 per ordinary share and US\$            per ADS. Pro forma net tangible book value adjusts net tangible book value to give effect to the automatic conversion of all our Series A redeemable convertible preferred shares into 130,000,000 ordinary shares immediately prior to the closing of this offering.

Without taking into account any other changes in such net tangible book value after December 31, 2010, other than to give effect to (i) the automatic conversion of all our Series A redeemable convertible preferred shares into 130,000,000 ordinary shares immediately prior to the closing of this offering, and (ii) our sale of            ADSs in this offering at the initial public offering price of US\$            per ADS and after deducting the underwriting discounts and commissions and estimated offering expenses, our pro forma as adjusted net tangible book value as of December 31, 2010 would have been US\$            million, or US\$            per share and US\$            per ADS. This represents an immediate increase in pro forma net tangible book value of US\$            per ordinary share, or US\$            per ADS, to existing shareholders and an immediate dilution of US\$            per ordinary share, or US\$            per ADS, to investors purchasing ADSs in this offering.

Dilution is determined by subtracting pro forma as adjusted net tangible book value per ADS after this offering from the amount of cash paid by a new investor for one ADS. The following table illustrates this per share dilution:

Initial public offering price per ordinary share	US\$	
Net tangible book value per ordinary share as of December 31, 2010	US\$	44,372,970
Pro forma net tangible book value per ordinary share as of December 31, 2010	US\$	44,372,970
Increase in pro forma net tangible book value per ordinary share attributable to this offering	US\$	
Pro forma as adjusted net tangible book value per ordinary share after giving effect to this offering	US\$	
Dilution per ordinary share to new investors	US\$	
Dilution per ADS to new investors	US\$	
Dilution to new investors (percentage)*		%

\* Calculated based on the dilution per ADS to new investors as a percentage of the per ADS initial public offering price of US\$            per ADS.

A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$            per ADS would increase (decrease) our pro forma net tangible book value after giving effect to the offering by US\$            million, or by US\$            per ordinary share and by US\$            per ADS, assuming no exercise of the underwriters' option to purchase additional ADSs, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

The following table summarizes the number of ordinary shares purchased from us as of \_\_\_\_\_, the total consideration paid to us and the average price per ordinary share/ADS paid by existing investors and by new investors purchasing ordinary shares evidenced by ADSs in this offering at the assumed initial public offering price of US\$ \_\_\_\_\_ per ADS after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders			US\$		US\$	US\$
New investors			US\$		US\$	US\$
Total		100.0%	US\$	100.0%		

A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ \_\_\_\_\_ per ADS would increase (decrease) total consideration paid by new investors, total consideration paid by all shareholders and the average price per ADS paid by all shareholders by US\$ \_\_\_\_\_ million, US\$ \_\_\_\_\_ million and US\$ \_\_\_\_\_, respectively, assuming no change in the number of ADSs sold by us as set forth on the cover page of this prospectus and without deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The dilution to new investors will be US\$ \_\_\_\_\_ per ordinary share and US\$ \_\_\_\_\_ per ADS, if the underwriters exercise in full their option to purchase additional ADSs.

The foregoing discussion and tables assumes no exercise of any outstanding share options. As of the date of this prospectus, there are 52,296,738 ordinary shares issuable upon (i) exercise of outstanding stock options at a weighted average exercise price of US\$0.03215 per share and (ii) satisfaction of conditions and the raising of restrictions applicable to outstanding contingently issuable shares, restricted shares and restricted share units, and there are 206,025 ordinary shares available for future issuance upon the exercise of future grants under our share incentive plans. To the extent that any of these options are exercised, conditions are satisfied or restrictions are raised, there will be further dilution to new investors.

**EXCHANGE RATE INFORMATION**

A number of RMB-denominated figures used in this prospectus are accompanied with U.S. dollar translations. These translations are based on the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2010, which was RMB6.6000 to US\$1.00. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign currencies and through restrictions on foreign trade.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you. The exchange rate of Renminbi per US dollar as set forth in the H.10 statistical release of the Federal Reserve Board was RMB6.5317 to US\$1.00 as of April 15, 2011.

Period	Noon Buying Rate			
	Period End	Average <sup>(1)</sup> (RMB per US\$1.00)	Low	High
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.6072	7.8127	7.2946
2008	6.8225	6.9477	7.2946	6.7800
2010	6.6000	6.7605	6.8330	6.6000
January-September	6.6905	6.8060	6.8330	6.6869
October	6.6705	6.6675	6.6912	6.6397
November	6.6670	6.6538	6.6892	6.6330
December	6.6000	6.6497	6.6745	6.6000
2011				
January	6.6017	6.5964	6.6364	6.5809
February	6.5713	6.5761	6.5965	6.5520
March	6.5483	6.5645	6.5743	6.5483
April (through April 15, 2011)	6.5317	6.5382	6.5477	6.5310

(1) Source: Federal Reserve Statistical Reserve

(2) Annual averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

In July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi was permitted to fluctuate within a band against a basket of certain foreign currencies. As a result, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. However, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. For almost two years after July 2008, the RMB traded within a very narrow range against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the RMB fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. In June 2010, the PRC government announced that it would increase RMB exchange rate flexibility. However, it remains unclear how this flexibility might be implemented. There remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of the Renminbi against the U.S. dollar.

## ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy some advantages associated with being a Cayman Islands exempted company, such as:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be subject to arbitration.

Substantially all of our operations are conducted in China, and substantially all of our assets are located in China. Most of our officers and directors are nationals and residents of jurisdictions other than the United States and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. In addition, it will be difficult for U.S. shareholders to originate actions against us in China based upon Cayman Islands, U.S. or PRC laws, by virtue only of holding our ADSs or common shares, to establish a connection to the PRC as required by the PRC Civil Procedures Law in order for a PRC court to have jurisdiction. U.S. shareholders may be able to originate actions against us in the Cayman Islands based upon Cayman Islands laws. However, we do not have any substantial assets other than certain corporate documents and records in the Cayman Islands and it may be difficult for a shareholder to enforce a judgment obtained in a Cayman Islands court in China, where all of our operations are conducted.

We have appointed Law Debenture Corporate Services Inc. as our agent upon whom process may be served in any action brought against us under the securities laws of the United States. Conyers Dill & Pearman, our counsel as to Cayman Islands law, and Zhong Lun Law Firm, our counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Conyers Dill & Pearman has informed us that the uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the U.S. courts under civil liability provisions of U.S. securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company, such as our company. As the courts of the Cayman Islands have yet to rule on making such a determination in relation to judgments obtained from U.S. courts under civil liability provisions of U.S. securities laws, it is uncertain whether such judgments would be enforceable in the Cayman Islands. Conyers Dill & Pearman has further advised us that the courts of the Cayman Islands would recognize as a valid judgment a final and conclusive judgment in personam obtained in the federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that: (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Zhong Lun Law Firm has further advised us that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of PRC Civil Procedures Law based either on treaties between China and the country or region where the judgment is made or on principle of reciprocity between jurisdictions, provided that the foreign judgments do not violate the basic principles of laws of the PRC or its sovereignty, security, or social and public interest. However, China does not have any treaties or other form of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

## OUR HISTORY AND CORPORATE STRUCTURE

### Our History

Phoenix TV registered the domain name phoenixtv.com for its corporate website in 1998. Tianying Jiuzhou began operating this website after its establishment in April 2000. Before Phoenix TV undertook its initial public offering in Hong Kong in 2000, Tianying Jiuzhou maintained this website with a small team of employees. As part of the reorganization before its initial public offering, in September 1999, Phoenix TV incorporated Phoenix Satellite Television Information Limited in the British Virgin Islands to be the holding company of its new media business.

In November 2005, Mr. Shuang Liu, a vice president of Phoenix TV, was appointed to lead Phoenix TV's new media business. Upon his appointment, Mr. Liu began implementing his vision to transform the business from a mere corporate website of Phoenix TV into a new media company capitalizing on the future of new media convergence. Yifeng Lianhe was established in June 2006 to provide new media mobile services in China. In July 2007, Tianying Jiuzhou registered the domain name ifeng.com and redirected the traffic of phoenixtv.com and phoenixtv.com.cn to ifeng.com.

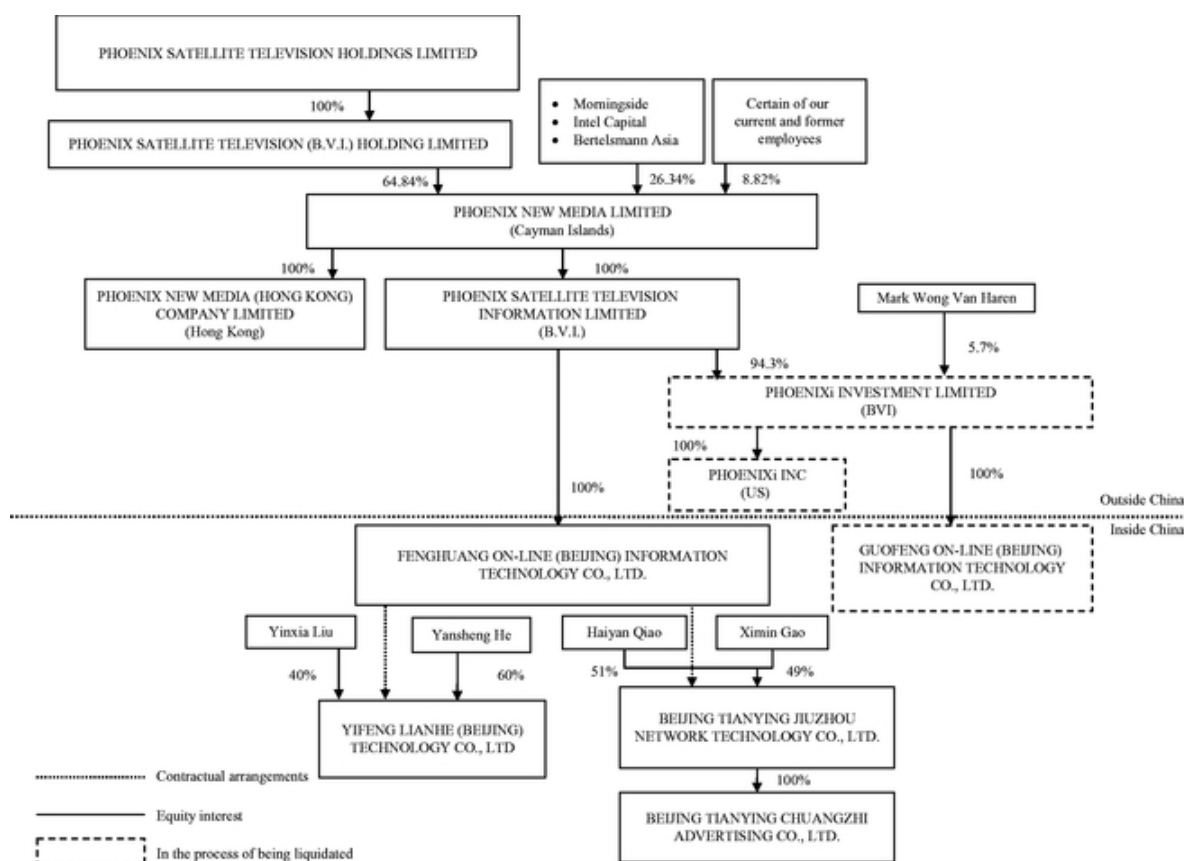
On November 22, 2007, Phoenix New Media Limited, an exempted limited liability company, was incorporated in the Cayman Islands as a subsidiary of Phoenix TV to be the holding company for its new media business. In May 2008, Phoenix Satellite Television (B.V.I.) Holding Limited transferred the sole outstanding share of Phoenix Satellite Television Information Limited to us in exchange for 319,999,999 ordinary shares of our company. In November 2009, we entered into a share purchase agreement with Morningside, Intel Capital and Bertelsmann Asia pursuant to which these investors purchased an aggregate of 130,000,000 Series A convertible redeemable Preferred Shares of our company.

Fenghuang On-line was established in December 2005. Fenghuang On-line's business license states that it may conduct general business activities that do not require approval or registration under PRC laws and regulations or that are not limited by the foreign investment industrial policy of the PRC. Fenghuang On-line does not provide any Internet, video or mobile services or conduct any advertising activities and, therefore, is not required to have an authorized business scope that covers such services. On December 31, 2009, Fenghuang On-line entered into a series of contractual arrangements with each of our affiliated consolidated entities, Tianying Jiuzhou and Yifeng Lianhe, and their respective shareholders to govern our relationships with the affiliated consolidated entities, at which time we became operational in our current corporate structure. These contractual arrangements allow us to effectively control the affiliated consolidated entities and to derive substantially all of the economic benefits from them. See "—Contractual Arrangements with Our Affiliated Consolidated Entities" below. Accordingly, we treat these companies as variable interest entities and have consolidated their historical financial results in our financial statements in accordance with U.S. GAAP.



**Our Corporate Structure**

The following diagram illustrates our corporate structure as of the date of this prospectus:



- (1) All percentage equity interests in the diagram above are on an as-converted basis.
- (2) Upon completion of the offering, our current directors and executive officers as of the date of this prospectus, including Keung Chui, Shuang Liu, Ya Li, Daguang He, Qin Liu, Qianli Liu and Yulin Wang, will collectively beneficially own \_\_\_\_\_ % of our ordinary shares, which will consist of Class A ordinary shares.

We established Phoenix New Media (Hong Kong) Company Limited, a Hong Kong limited liability company, on February 24, 2011 in order to begin to establish a corporate structure that may allow for more efficient withholding tax treatment of any dividends to our company, provided that Phoenix New Media (Hong Kong) Company Limited becomes the parent company of our PRC subsidiary and the beneficial owner of any of its dividends, and receives approval from the PRC tax authority to enjoy preferential withholding tax treatment.

In 1999, PHOENIXi Investment Limited, which holds 100% equity ownership of PHOENIXi Inc. and Guofeng On-line (Beijing) Information Technology Co., Ltd., was established primarily to develop an Internet business in North America. The business operations of PHOENIXi Investment Limited and its subsidiaries ceased before 2006, and the legal process of liquidating these three entities, which began in 2006, is expected to be completed in 2011. Given that these entities have long ceased their operations, we do not anticipate that the dissolution of PHOENIXi Investment Limited and its subsidiaries will have any effect on our business, results of operations or financial position. Our consolidated financial statements do not include the financial statements of PHOENIXi Investment

Limited and its subsidiaries, but rather account for them under the cost method and recognize any other than temporary impairment.

### **Contractual Arrangements with Our Affiliated Consolidated Entities**

Foreign investment in the Internet and mobile services industries is currently prohibited or restricted in China. As a Cayman Islands company, we do not qualify to conduct these businesses under PRC regulations. In addition, foreign investment in the advertising industry requires the foreign investor to possess certain qualifications, which we do not have. See "Regulation." As a result, our business in China is operated through contractual arrangements with our affiliated consolidated entities.

We do not have any equity interests in Tianying Jiuzhou or its subsidiary or Yifeng Lianhe. However, as a result of these contractual arrangements, we are the primary beneficiary of each of Tiangying Jiuzhou and Yifeng Lianhe and account for them as our consolidated affiliated entities under U.S. GAAP. Outstanding equity interests in Tiangying Jiuzhou and Yifeng Lianhe are held by Haiyan Qiao and Ximin Gao, and Yinxia Liu and Yansheng He, respectively. Msrs. Qiao, Gao and He are all current employees of our company and have each been employed by us for approximately ten years. Mr. Liu is an employee of Zhongcheng Letian Property Development Company, a company founded by the chairman of Phoenix TV, Mr. Changle Liu. See "Risk Factors—Risks Relating to Our Corporate Structure—The shareholders of the affiliated consolidated entities may have potential conflicts of interest with us."

We have consolidated the financial results of each of Tianying Jiuzhou and its subsidiary and Yifeng Lianhe in our consolidated financial statements in accordance with U.S. GAAP. In 2010, Tianying Jiuzhou and its subsidiary accounted for 87.5% of our total revenues, and Yifeng Lianhe accounted for 10.0% of our total revenues.

#### ***Overview of the Contractual Arrangements***

The contractual arrangements among Fenghuang On-line, the affiliated consolidated entities and the shareholders of the affiliated consolidated entities enable us to:

- receive substantially all of the economic benefits from Tianying Jiuzhou and its subsidiary and Yifeng Lianhe in consideration for the technical and consulting services provided and intellectual property rights licensed by Fenghuang On-line;
- exercise effective control over Tianying Jiuzhou and its subsidiary and Yifeng Lianhe; and
- have an exclusive option to purchase all of the equity interests in Tianying Jiuzhou and Yifeng Lianhe when and to the extent permitted under PRC laws.

#### ***Agreements that Transfer Economic Benefits to Us***

*Exclusive Technical Licensing and Service Agreements.* Under the exclusive technical licensing and service agreements between Fenghuang On-line and each of the respective affiliated consolidated entities, or the technical service agreements, Fenghuang On-line has the exclusive right to provide designated technical and consulting services to the consolidated affiliated entities, including developing and upgrading various software, developing system technology, maintaining operational hardware and providing various training and consulting services, among other services. Third parties may only be engaged to provide the designated services to the affiliated consolidated entities under limited circumstances that are within the control of Fenghuang On-line.

Pursuant to the technical service agreements, the affiliated consolidated entities have each agreed to pay to Fenghuang On-line an amount equal to a certain percentage of their respective annual revenues, plus a special service fee for certain services rendered by Fenghuang On-line at the request

of the relevant affiliated consolidated entity. However, the technical service agreements also provide that notwithstanding such agreement as to payment, the actual amount of the service fee may be adjusted upon mutual agreement of the parties. Historically, the affiliated consolidated entities have deducted relevant costs and expenses from the amount that is subject to the service fee payment, and have paid 100% of any of their respective net incomes to Fenghuang On-line.

The technical service agreements also transfer all of the economic benefit of intellectual property created by the affiliated consolidated entities to Fenghuang On-line. To the extent that the affiliated consolidated entities jointly develop business-related technologies with Fenghuang On-line or are entrusted by Fenghuang On-line to develop business-related technologies, the ownership and patent application rights for such technologies are vested in Fenghuang On-line. To extent that the affiliated consolidated entities develop business-related technologies independently, the affiliated consolidated entities are required to promptly notify Fenghuang On-line of such technologies, and Fenghuang On-line has the right to purchase each such technology for RMB 1 or the minimum purchase price permitted by then applicable law, or otherwise has priority rights with respect to any transfer or license of such technologies. In addition, Fenghuang On-line controls the patent applications of any business-related technologies created by the affiliated consolidated entities.

The term of each technical service agreement is indefinite unless terminated by Fenghuang On-line by providing prior written notice to the relevant affiliated consolidated entity. The technical service agreements provide that the affiliated consolidated entities cannot terminate such agreements under any circumstances or on any ground unless otherwise provided for by law.

The technical service agreements provide that any disputes shall be resolved by the parties through negotiation, and if the parties cannot reach an agreement within thirty days, the dispute shall be submitted to the China International Economic and Trade Arbitration Commission in Beijing. The arbitral awards shall be final and binding upon both parties.

***Agreements that Provide Us with Effective Control and Grant Fenghuang On-line an Exclusive Option to Purchase all of the Equity Interests in the Affiliated Consolidated Entities When and To the Extent Permitted Under PRC Laws***

***Voting Right Entrustment Agreements.*** Each of the respective affiliated consolidated entities, their respective shareholders and Fenghuang On-line have entered into a voting right entrustment agreement. Pursuant to the voting right entrustment agreements the shareholders of each affiliated consolidated entity have granted a person designated by Fenghuang On-line, or the trustee, the right to exercise their rights as shareholders, including all voting rights, as well as rights to attend and propose the convening of shareholder meetings. Under the voting right entrustment agreements, the respective trustees have the right to access all information regarding the relevant affiliated consolidated entity's operation, business, clients, finances and employees, as well as their financial, business and corporate documentation.

The term of each voting right entrustment agreement is indefinite unless both parties agree to terminate the agreement in writing, or unless Fenghuang On-line decides in its discretion to terminate the relevant agreement after the relevant affiliated consolidated entity or one of its shareholders breaches the agreement and such breach is not remedied within ten days of receipt of written notice. The voting right entrustment agreements provide that the affiliated consolidated entities cannot terminate such agreements under any circumstances or on any ground unless otherwise provided for by law.

The voting right entrustment agreements provide that any disputes shall be resolved by the parties through negotiation, and if the parties cannot reach an agreement within thirty days, the dispute shall be submitted to the China International Economic and Trade Arbitration Commission in Beijing. The arbitral awards shall be final and binding upon both parties.

*Exclusive Equity Option Agreements.* Each of the respective affiliated consolidated entities, their respective shareholders and Fenghuang On-Line have entered into an exclusive equity option agreement, or equity option agreement, pursuant to which Fenghuang On-line has an irrevocable, unconditional and exclusive option to purchase, or to designate other persons to purchase from the shareholders, to the extent permitted by applicable PRC laws, rules and regulations, all of the equity interest in the affiliated consolidated entities. Fenghuang On-line may acquire all of the equity interest in the relevant affiliated entity through one purchase or a series of purchases, the timing, manner and frequency of which are in Fenghuang On-line's discretion. The purchase price for the entire equity interest is to be calculated based on the paid-up amount of the relevant equity interest or the minimum price permitted by applicable PRC laws, rules and regulations. In addition, the amount borrowed by the respective shareholders from Fenghuang On-line for making the capital contributions to the relevant affiliated consolidated entities under the loan agreements, as described in "—Loan Agreements," shall offset the purchase price paid for any transfer of equity interest from the respective shareholders to Fenghuang On-line.

Under the equity option agreements, the shareholders have agreed that, without Fenghuang On-line's written consent, they will not take certain actions, including transferring any of their equity interests in the affiliated consolidated entities, disposing or causing the affiliated consolidated entities' management to dispose of any of the entities' tangible or intangible assets, terminating any material agreement to which the affiliated consolidated entities are party, appointing or removing any of the affiliated consolidated entities' directors, supervisors or management members, causing or endorsing the declaration or actual distribution of any profit, bonus, dividends or interests of the affiliated consolidated entities, or causing or endorsing any lending or borrowing or provision of any guarantee or creation of any other security interest other than in the normal course of business, among other actions.

The term of each equity option agreement will expire when all of the equity interests in the relevant affiliated consolidated entities has been duly transferred to Fenghuang On-line or its designated representative. In addition, the equity option agreements provide that neither of the affiliated consolidated entities nor their shareholders may terminate such agreements under any circumstances or on any ground.

The equity option agreements provide that any disputes shall be resolved by the parties through negotiation, and if the parties cannot reach an agreement within thirty days, the dispute shall be submitted to the China International Economic and Trade Arbitration Commission in Beijing. The arbitral awards shall be final and binding upon both parties.

*Loan Agreements.* Pursuant to the loan agreements among Fenghuang On-line and the respective shareholders of each of the affiliated consolidated entities, Fenghuang On-line granted interest-free loans to the shareholders of the affiliated consolidated entities in an amount equal to their respective capital contribution in the affiliated consolidated entities. The loans can be repaid only with proceeds from the sale of all of the respective shareholder's equity interests in the applicable affiliated consolidated entity to Fenghuang On-line or its designated representatives pursuant to the applicable equity option agreement.

The term of each loan is ten years from the execution of the applicable loan agreement, and may be extended upon mutual agreement of the parties. Any disputes shall be resolved by the parties through negotiation, and if the parties cannot reach an agreement within thirty days, the dispute shall be submitted to the China International Economic and Trade Arbitration Commission in Beijing. The arbitral awards shall be final and binding upon both parties.

*Equity Pledge Agreements.* Each of the affiliated consolidated entities, their respective shareholders and Fenghuang On-line, have entered into an equity pledge agreement. Under the equity pledge agreements, the shareholders have pledged their respective equity interests in the affiliated

consolidated entities to Fenghuang On-line to secure the performance of the obligations of the affiliated consolidated entities and the shareholders under the applicable technical service agreements, voting right entrustment agreements, equity option agreements and loan agreements, including, among others, the payment of the service fees, the entrustment of the shareholders' voting rights in the affiliated consolidated entities, the conditional transfer of the shareholders' equity interests in the affiliated consolidated entities and the repayment of the shareholder loans with proceeds from the transfer of the shareholders' equity interests, respectively. All registrations necessary to secure the enforceability of each of the equity pledge agreements have been completed.

The term of each equity pledge agreement will expire when the secured obligations have been fully performed or released. Any disputes shall be resolved by the parties through negotiation, and if the parties cannot reach an agreement within thirty days, the dispute shall be submitted to the China International Economic and Trade Arbitration Commission in Beijing. The arbitral awards shall be final and binding upon both parties.

We have been advised by our PRC legal counsel, Zhong Lun Law Firm, that the structure for operating our business in China (including our corporate structure and our contractual arrangements with our affiliated consolidated entities) complies, and after the completion of this offering will continue to comply with all applicable PRC laws, rules and regulations, and does not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations. However, there are uncertainties regarding the interpretation and application of the relevant PRC laws, rules and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to the opinion of our PRC legal counsel. Our PRC legal counsel has further advised that if a PRC government authority determines that our corporate structure, the contractual arrangements or the reorganization to establish our current corporate structure violates any applicable PRC laws, rules or regulations, the contractual arrangements will become invalid or unenforceable, and we could be subject to severe penalties and required to obtain additional governmental approvals from the PRC regulatory authorities. See "Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating our business 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 would be subject to severe penalties or be forced to relinquish our interests in those operations" and "Risk Factors—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could limit the protections available to you and us."

### **Our Relationship with Phoenix TV**

We are currently a subsidiary of Phoenix TV, the leading Hong Kong-based satellite TV network broadcasting Chinese language content globally and into China. Phoenix TV owns 64.84% of our outstanding share capital as of the date of this prospectus. Phoenix TV first reported its new media business as one of its business segments in its annual report submitted to the Hong Kong Stock Exchange for the year ended December 31, 2007. Prior to this offering, in an effort to more clearly delineate our related party transactions with Phoenix TV on an arm's length basis, Fenghuang On-line entered into a cooperation agreement with Phoenix TV, or the Phoenix TV Cooperation Agreement on November 24, 2009. Under this agreement Fenghuang On-line and Phoenix TV agreed to certain cooperative arrangements in the areas of content, branding, promotion and technology and Phoenix TV agreed to procure and procured its subsidiaries, Phoenix Satellite Television Company Limited and Phoenix Satellite Television Trademark Limited, to enter into the Content License Agreements and Trademark Licenses Agreements, respectively, with each of our affiliated consolidated entities on November 24, 2009.

We have a mutually beneficial relationship with Phoenix TV. We and Phoenix TV share a common vision of the convergence of traditional and new media channels, and work together to realize this

vision. While we furnish Phoenix TV with access to our new media delivery channels, Phoenix TV enables us to display our proprietary content on its TV programs. Our and Phoenix TV's active promotion of one another's brands on our respective Internet-enabled and TV platforms helps to grow our combined audience synergistically. Our chief executive officer is also a vice president of Phoenix TV.

Pursuant to the Content License Agreements, Phoenix TV has also granted each of our affiliated consolidated entities an exclusive license to use its content on our Internet and mobile channels in China. These exclusive content licenses help to distinguish our content offerings from those of other Internet and new media companies in China and make a material contribution to our business, in particular, to our video VAS business, which accounted for 5.0% of our total revenues in 2010, and, indirectly, to our video advertising business. In addition, our affiliated consolidated entities license certain of Phoenix TV's logos. These logos help to affiliate our brand name with that of Phoenix TV and vice versa, which helps to enhance our respective brand names. These logos, however, do not directly contribute any revenues to our company and are not material to our business. Phoenix Satellite Television Trademark Limited has completed the application form to transfer the "ifeng" logo from Phoenix Satellite Television Trademark Limited to Tianying Jiuzhou, and Tianying Jiuzhou has submitted the application to the PRC Trademark Office to serve to remedy a current noncompliance with PRC regulation. See "Risk Factors—Risks Relating to Our Business and Industry—Our consolidated affiliated entities and their respective shareholders do not own the trademarks used in their value-added telecommunications services, which may subject them to revocation of their licenses or other penalties or sanctions."

As compensation for the rights granted to Fenghuang On-line under the Phoenix TV Cooperation Agreement, Fenghuang On-line is obligated to pay Phoenix TV an annual service fee in the amount of RMB1.6 million for the first year of the agreement that incrementally increases by 25% for each subsequent year of the agreement. In the event that Phoenix TV's indirect voting interest in Fenghuang On-line decreases to 50% or below, Phoenix TV has the right to amend the annual service fee, provided that it may not be raised to more than 500% of the original annual service fee. Each of the Phoenix TV Cooperation Agreement, the Content License Agreements and the Trademark License Agreements will expire in March 2016 unless both of the relevant parties agree to extend their respective terms. Each of these agreements may be terminated early subject to the occurrence of certain events. For more information about these agreements, see "Related Party Transactions—Transactions and Agreements with Phoenix TV and Certain of its Subsidiaries."

Upon completion of this offering, Phoenix TV, through its wholly owned direct subsidiary, Phoenix TV (BVI), will continue to be our controlling shareholder, with beneficial ownership and voting power of % and %, respectively, of our outstanding ordinary shares, assuming the underwriters do not exercise their over-allotment option and the entire assured entitlement distribution to Phoenix TV's shareholders is made in ADSs. Although we believe that our interests and those of Phoenix TV are mostly aligned because Phoenix TV will continue to consolidate our financial results as long as Phoenix TV maintains a majority voting interest in our company, there may be conflicts of interest between our company and Phoenix TV from time to time. We may not be able to resolve any potential conflicts, and even if we do so, the resolution may be less favorable to us than if we were dealing with a non-controlling shareholder. For more information about our potential conflicts of interest with Phoenix TV, see "Risk Factors—Risks Relating to Our Corporate Structure—We may have conflicts of interest with Phoenix TV and, because of Phoenix TV's controlling beneficial ownership interest in our company, may not be able to resolve such conflicts on terms favorable for us."

## SELECTED CONSOLIDATED FINANCIAL DATA

The following selected condensed consolidated statement of operations data for the two years ended December 31, 2008, 2009 and 2010, and the selected condensed consolidated balance sheet data as of December 31, 2008, 2009 and 2010 have been derived from our audited consolidated financial statements which are included elsewhere in this prospectus and have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, an independent registered public accounting firm. Selected consolidated financial data as of and for the years ended December 31, 2006 and 2007 have not been included, as such information is not available on a basis that is consistent with the consolidated financial data included in this prospectus and cannot be provided on a U.S. GAAP basis without unreasonable effort or expense.

You should read the selected consolidated financial data in conjunction with those financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results do not necessarily indicate our results expected for any future periods.

	For the year ended December 31,			
	2008	2009	2010	
	RMB	RMB	RMB	US\$
	(In thousands, except for per share data)			
<b>Revenues:</b>				
Net advertising revenues	40,259	81,632	204,370	30,965
Paid service revenues	182,367	180,715	324,326	49,140
<b>Total Revenues</b>	<b>222,626</b>	<b>262,347</b>	<b>528,696</b>	<b>80,105</b>
<b>Cost of revenues<sup>(1)</sup></b>	<b>(163,502)</b>	<b>(170,062)</b>	<b>(299,423)</b>	<b>(45,367)</b>
<b>Gross Profit</b>	<b>59,124</b>	<b>96,285</b>	<b>229,273</b>	<b>34,738</b>
<b>Operating expenses:</b>				
Sales and marketing expenses <sup>(1)</sup>	(33,855)	(46,364)	(76,153)	(11,538)
General and administrative expenses <sup>(1)</sup>	(37,613)	(27,727)	(39,955)	(6,054)
Technology and product development expenses <sup>(1)</sup>	(17,104)	(16,579)	(31,012)	(4,699)
Total operating expenses	(88,572)	(90,670)	(147,120)	(22,291)
<b>Income/(loss) from operations</b>	<b>(29,448)</b>	<b>1,615</b>	<b>82,153</b>	<b>12,447</b>
<b>Other income:</b>	<b>1,146</b>	<b>332</b>	<b>2,429</b>	<b>368</b>
Income/(loss) before tax	(28,302)	1,947	84,582	12,815
Income tax benefits/expenses	149	(1,660)	(10,499)	(1,590)
<b>Net income/(loss) attributable to Phoenix New Media Limited</b>	<b>(28,153)</b>	<b>287</b>	<b>74,083</b>	<b>11,225</b>
Accretion to Series A convertible redeemable preferred shares (US\$0.01 par value, 130 million shares authorized and issued as of December 31, 2009 and 2010; aggregate liquidation value of RMB197 million and RMB246 million as of December 31, 2009 and 2010, respectively, and none outstanding on a pro-forma basis as of December 31, 2010)	—	(14,129)	(206,409)	(31,274)
Income allocation to participating preferred shares	—	(287)	(33,093)	(5,014)
Amortization of beneficial conversion feature	—	(17,138)	—	—
<b>Net loss attributable to ordinary shareholders</b>	<b>(28,153)</b>	<b>(31,267)</b>	<b>(165,418)</b>	<b>(25,063)</b>
<b>Net loss per ordinary share:</b>				
Basic	(0.09)	(0.10)	(0.51)	(0.08)
Diluted	(0.09)	(0.10)	(0.51)	(0.08)
Weighted average number of ordinary shares used in computation of loss per share:	320,013	321,388	327,045	327,045
Weighted average number of ordinary shares used in computation of loss per share:	320,013	321,388	327,045	327,045
<b>Non-GAAP adjusted net income<sup>(2)</sup></b>	<b>1,777</b>	<b>10,527</b>	<b>90,644</b>	<b>13,734</b>

Notes:

- (1) Includes share-based compensation expenses as follows:

	For the Year Ended December 31,			
	2008	2009	2010	
	RMB	RMB	RMB	US\$
	(in thousands)			
Allocation of share-based compensation expenses:				
Cost of revenues	2,455	775	854	129
Sales and marketing expenses	6,539	2,904	4,664	707
General and administrative expenses	18,374	5,757	10,406	1,577
Technology and product development expenses	2,562	804	637	96

- (2) We define adjusted net income/(loss), a non-GAAP financial measure, as net income/(loss) attributable to Phoenix New Media Limited excluding share-based compensation expenses. We believe that separate analysis and exclusion of the non-cash impact of share-based compensation adds clarity to the constituent parts of our performances. We review adjusted net income/(loss) together with net income/(loss) to obtain a better understanding of our operating performance. We use this non-GAAP financial measure for planning and forecasting and measuring results against the forecast. Using several measures to evaluate our business allows us and our investors to assess our relative performance against our competitors and ultimately monitor our capacity to generate returns for our investors. We also believe it is useful supplemental information for investors and analysts to assess our operating performance without the effect of non-cash share-based compensation expenses, which have been and will continue to be significant recurring expenses in our business. However, the use of adjusted net income/(loss) has material limitations as an analytical tool. One of the limitations of using non-GAAP adjusted net income/(loss) is that it does not include all items that impact our net income/(loss) for the period. In addition, because adjusted net income/(loss) is not calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies. In light of the foregoing limitations, you should not consider adjusted net income/(loss) in isolation from or as an alternative to net income/(loss) prepared in accordance with U.S. GAAP.

Our non-GAAP adjusted net income is calculated as follows for the periods presented:

	For the Year Ended December 31,			
	2008	2009	2010	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net income/(loss) attributable to Phoenix New Media Limited	(28,153)	287	74,083	11,225
Add back: Share-based compensation expenses	29,930	10,240	16,561	2,509
Non-GAAP adjusted net income	1,777	10,527	90,644	13,734

	As of December 31,					
	2008	2009	2010			
	RMB	RMB	RMB	US\$	RMB	US\$
	(in thousands)					
	(Pro Forma) <sup>(1)</sup>					
<b>Consolidated Balance Sheet Data</b>						
Cash and cash equivalents	67,999	223,086	287,173	43,511	287,173	43,511
Accounts receivable, net	21,892	35,318	77,043	11,673	77,043	11,673
Total current assets	106,277	275,059	400,705	60,713	400,705	60,713
Total assets	144,208	314,302	447,262	67,767	447,262	67,767
Current liabilities	126,817	115,358	148,555	22,508	148,555	22,508
Total liabilities	127,942	116,931	152,038	23,036	152,038	23,036
Net assets	16,266	197,371	295,224	44,731	295,224	44,731
Mezzanine equity	—	183,774	390,182	59,119	—	—
Total shareholders' equity/(deficit)	16,266	13,597	(94,958)	(14,388)	295,224	44,731

- (1) Our consolidated balance sheet data as of December 31, 2010 is presented on a pro forma basis to reflect the automatic conversion of all of our outstanding Series A convertible redeemable preference shares into 130,000,000 Class A ordinary shares immediately upon the closing of this offering.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.*

### Overview

We are the leading new media company providing premium content on an integrated platform across Internet, mobile and TV channels in China. Having originated from a leading global Chinese language TV network based in Hong Kong, Phoenix TV, we enable consumers to access professional news and other quality information and share user-generated content, or UGC, on the Internet and through their mobile devices. We also transmit our UGC and in-house produced content to TV viewers primarily through Phoenix TV. Our ifeng.com website ranked number one in terms of page views, or PV, among the world's leading TV companies' websites, including CNN.com, BBC.co.uk, and CNTV.cn, in March 2011 according to Alexa.com, a third-party web information company, and ranked 8<sup>th</sup> among all Chinese websites in terms of PV in December 2010, according to Google Ad Planner. We had 222 million online monthly unique visitors in March 2011, and according to the iResearch Report, our online users' average monthly income was over four times that of the average Internet user in China in November 2010. Leveraging our coveted user demographic and influential brand, we have established a high-growth and profitable business model with diversified revenue streams from both advertising and paid services.

Our net advertising revenues collectively accounted for 18.1%, 31.1% and 38.7% of our total revenues in 2008, 2009 and 2010, respectively. Our advertising solutions present brand advertisers with attractive opportunities to access our highly educated, affluent and engaged user base with the consumer targeting capabilities of the Internet. We provide advertising services through our online and video channels primarily and, to a small extent at present, through our mobile channel. We recognize revenues from our advertising services on a net basis, deducting the agency service fees we pay to advertising agencies. As is customary in the advertising industry in China, we generate most of our net advertising revenues by selling our advertising services through third-party advertising agencies. Driven by the growth in our number of advertisers, which reached 197, 319 and 502 as of December 31, 2008, 2009 and 2010, respectively, our net advertising revenues grew at rates of 102.8% from 2008 to 2009, and 150.4% from 2009 to 2010.

Our paid service revenues comprised 81.9%, 68.9% and 61.3% of our total revenues in 2008, 2009 and 2010, respectively. We offer a variety of paid services through all of our channels, including (i) mobile Internet and value-added services, or MIVAS, which includes our digital reading services, mobile game services and wireless value-added services, or WVAS, such as messaging-based services (SMS and MMS); (ii) video value-added services, or video VAS, which consist of our online subscription and pay-per-view video services, our mobile subscription and pay-per-view video services and video content sales and (iii) Internet value-added services, or Internet VAS. We derived 87.3%, 8.1% and 4.6% of our paid service revenues, respectively, from our MIVAS, video VAS and Internet VAS in 2010. We generate the majority our paid service revenues from our WVAS, digital reading services and mobile subscription and pay-per-view video services by providing content to mobile device users and collecting revenue shares from the relevant mobile operator. We also earn a significant portion of our paid service revenues in the form of fixed fees from China Mobile for our digital reading services. We recognize most of our paid service revenues on a gross basis.

In 2008, 2009 and 2010, we generated revenues of RMB222.6 million, RMB262.3 million and RMB528.7 million (US\$80.1 million), respectively, representing a CAGR of 54.1%. Our net advertising revenues were RMB40.3 million, RMB81.6 million and RMB204.4 million (US\$31.0 million) in 2008, 2009 and 2010, respectively, representing a CAGR of 125.3%, and our paid service revenues were RMB182.4 million, RMB180.7 million and RMB324.3 million (US\$49.1 million) in 2008, 2009 and 2010, respectively, representing a CAGR of 33.4%. We incurred a net loss attributable to Phoenix New Media Limited of RMB28.2 million in 2008. We achieved a net income attributable to Phoenix New Media Limited of RMB0.3 million and RMB74.1 million (US\$11.2 million) in 2009 and 2010, respectively. Adjusted net income attributable to Phoenix New Media Limited, a non-GAAP financial measure which excludes share-based compensation expenses, was RMB1.8 million, RMB10.5 million and RMB90.6 million (US\$13.7 million) in 2008, 2009 and 2010, respectively.

### **Factors Affecting Our Results of Operations**

Our business and operating results are affected by general factors affecting China's new media industry, which include China's overall economic growth, per capita disposable income, the trend of media convergence, growth of new media and its popularity as an advertising medium, growth of Internet penetration, adoption of paid services, including 3G mobile services, and smartphones. Unfavorable changes in any of these general industry conditions could negatively affect demand for our services and negatively and materially affect our results of operations.

Our business, results of operations, financial condition and future growth are more directly affected by company specific factors and trends, including:

- our ability to maintain and expand our target user base;
- our ability to provide effective advertising services and enhance our pricing power;
- our ability to grow our MIVAS and mobile subscription and pay-per-view video services; and
- our ability to procure and produce content in a cost-effective manner.

#### ***Our ability to maintain and expand our target user base.***

We have a large, highly educated and affluent user base, which is critical for us to continue to attract advertisers and grow our revenues from paid services. Our ability to continue to effectively target, maintain and expand such a user base will affect the growth of our advertising business and our revenues going forward. While advertisers are drawn to our platform because of our attractive user base demographics, the efficacy of their advertisements on our website largely depends on our website's PV. As a result, our number of users, the number of pages they view in aggregate, the amount of time they spend on our website and their level of interaction on our integrated online and mobile platform all affect our revenues. We believe that the growth of our target user base sets the foundation for achieving a higher conversion rate for turning non-paying users into paying users.

#### ***Our ability to provide effective advertising services and enhance our pricing power.***

Our financial condition and results of operations depend substantially on the demand for our advertising services, as well as our pricing power in selling our advertising services. In 2008, 2009 and 2010, net advertising revenues accounted for 18.1%, 31.3% and 38.7% of our total revenues. Our net advertising revenues are recognized on a net basis after deducting advertising agency service fees, and therefore any changes in these service fees will affect our net advertising revenues going forward. Our agency services fees have increased in the past due to a Chinese industry practice whereby advertising agencies increase their fees on a sliding scale as clients' business volumes grow. Therefore, we may experience increases in our agency service fees commensurate with gross advertising revenue growth in the future.

Generally, demand for our advertising services will continue to be affected by the pace of adoption of online and mobile advertising by brand advertisers in China. On a more specific level, we need to provide innovative and effective advertising services to increase our existing clients' advertising spending and to attract new advertising clients. To this end, we need to continue to offer a diverse suite of advertising formats and develop new innovative formats. It is also important for us to continue to engage third-party organizations to conduct more research to analyze and demonstrate to clients the efficacy of the advertisements we develop. In past years, we have been able to increase our advertising pricing at a higher rate than the online advertising industry average due to our rapid growth in PV and our increased brand recognition. We strive to leverage our affluent and highly educated user base and further increase our pricing power through enabling advertisers to target subsections of our user base by posting advertisements on our interest-based verticals and matching their advertisements to particular content, and users with relevant behavioral patterns. In addition, we believe that an improved ability to leverage our integrated platform to provide cross-channel advertising solutions can also strengthen our pricing power. In order to grow our advertising business, we must expand our advertising strategy, advertising solution and creative design, direct sales and customer service teams and improve our dialogue with advertisers and advertising agencies. We also believe that our ability to capture increasing demand for video and mobile Internet advertising services will affect the growth of our net advertising revenues going forward.

***Our ability to grow our MIVAS and mobile subscription and pay-per-view video services.***

We generate a significant portion of our revenues by providing content services to mobile device users, including our MIVAS and mobile subscription and pay-per-view video services. We believe these businesses offer substantial growth potential, and they are important components of our growth strategy. In order to grow our paying user base, subscription revenues and average revenues per user, or ARPU, we need to continue to provide premium, professional and differentiated content and engaging interactive services. We also need to continue to develop user-friendly applications that are compatible with a wide range of mobile operating systems. In addition to our internal initiatives, the growth of these services, and in particular that of our WVAS, is affected by the business policies of mobile operators. We plan to grow our paid service offerings by further developing services such as digital reading services and mobile subscription and pay-per-view video services and pursuing new business opportunities, such as audio services.

***Our ability to procure and produce content in a cost-effective manner.***

We need to license, acquire and produce high quality content in order to deliver a differentiated and engaging experience for our users and provide attractive advertising solutions for our advertisers. We obtain the largest portion of our content portfolio from third party professional sources pursuant to license agreements. We base our content purchase decisions on the quality of the content, its relevance to our users' preferences and the advertising appeal of a particular piece of content relative to its cost, and aim at ensuring that we realize substantial value from the content that we license. We expect that our increasing utilization of content across our Internet and mobile channels will lead to cost synergies as we continue to grow our business. We may increase our procurement of third-party video content and our in-house production of video content going forward in order to attract more users, which may increase our content procurement cost. Our ability to continue to manage and control our third-party content acquisition costs while maintaining the high quality and attractiveness of our content will continue to affect our results of operations going forward.

We also obtain a substantial portion of our video content from Phoenix TV. Pursuant to the Content License Agreements entered into between each of our affiliated consolidated entities and Phoenix Satellite Television Company Limited, a wholly owned subsidiary of Phoenix TV, Phoenix Satellite Television Company Limited has granted each of our affiliated consolidated entities an exclusive license to use its copyrighted content on our Internet and mobile channels in China. Phoenix

Satellite Television Company Limited has provided these exclusive licenses as part of the broad arrangement between our PRC subsidiary and Phoenix TV under the Phoenix TV Cooperation Agreement, which is effective until March 2016, subject to Phoenix TV's percentage indirect equity interest in our PRC subsidiary. See "Related Party Transactions—Transactions and Agreements with Phoenix TV and Certain of its Subsidiaries" for more information. Therefore, our ability to control our content costs is dependent to a significant extent on the nature of our relationship with Phoenix TV.

## **Critical Accounting Policies**

### ***Critical Accounting Policies and Estimates***

The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

#### *Basis of Presentation*

The consolidated financial statements include our financial statements of the Company, our subsidiaries, our consolidated affiliated entities for which Fenghuang On-line is the primary beneficiary, and the subsidiary of one of our consolidated affiliated entities prepared on a going concern basis. The consolidated financial statements do not include the financial statements of PHOENIXi and its subsidiaries on a consolidated basis as they are undergoing liquidation, but rather account for them under the cost method and recognize any other than temporary impairment. All significant transactions and balances among us, our subsidiaries, our consolidated affiliated entities and subsidiary of the consolidated affiliated entities have been eliminated upon consolidation.

Our statement of operations include all the historical costs related to the online advertising, MIVAS, video VAS and Internet VAS businesses, including expenses incurred by Phoenix TV on behalf of us, and an allocation of certain general corporate expenses of Phoenix TV. These general corporate expenses primarily relate to advertising and promotion fees, technical service expenses and other expenses arising from the provisions of certain corporate functions, including finance, legal and executive management. We allocated these expenses based on estimates that our management believes to be a reasonable reflection of the utilization of services provided to, or benefits received by us.

Our management believes that the assumptions underlying our consolidated financial statements and the above allocations are reasonable. Our consolidated financial statements, however, may not be reflective of our result of operations, financial position and cash flows had we been operated as a standalone company during those periods. Our historical results for any prior period are not necessarily indicative of results to be expected for any future period.

#### *Revenue Recognition*

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, service has been performed and the collectibility of the related fee is reasonably assured. For multiple element arrangements (arrangements with more than one deliverable), we have early adopted ASU 2009-13 "Multiple Deliverable Revenue Arrangements" (effective June 15, 2010), which requires us to separate multiple element arrangements into different units of accounting, when possible, and allocate total arrangement consideration to each unit of accounting on the basis of their relative selling price.

### *Net Advertising Revenues*

Online advertising arrangements allow advertisers to place advertisements on particular areas of our website, in particular formats and over particular periods of time.

While the majority of our revenue transactions contain standard business terms and conditions, there are certain transactions that contain non-standard business terms and conditions. In addition, the majority of our advertising service arrangements involve multiple element arrangements (arrangements with more than one deliverable) that may include placement of different advertising formats on our website over different periods of time, which are accounted for under ASU 2009-13 "Multiple-Deliverable Revenue Arrangements."

As a result, significant contract interpretation is sometimes required to determine the appropriate accounting for these transactions including: (1) how the arrangement consideration should be allocated among potential multiple elements; (2) when to recognize revenue on the deliverables; and (3) whether all elements of the arrangement have been delivered. Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition.

For arrangements where we are required to provide only one deliverable, we recognize revenues either on a straight line basis over the contract period (where performance obligations are uniform over the contract period) or based on the proportion of obligations performed (where the performance obligations are not uniform over the contract period).

We provide cash incentives in the form of agency service fees to certain third-party advertising agencies based on their sales performance, and account for such incentives as a reduction of revenue in accordance with ACS 605-50-25.

### *Paid Service Revenues*

Paid service revenues are primarily derived from MIVAS and video VAS, and to a small extent from Internet VAS.

*MIVAS.* MIVAS revenues are derived from a variety of mobile services and applications focused on information, entertainment, and communications, consisting of digital reading services, mobile games and WVAS. We mainly offer news and other content subscriptions, picture and logo downloads, mobile phone ring-back tones, mobile games, access to music files and various other services to mobile phone users primarily through contracts signed with China Mobile, a shareholder of Phoenix TV, and its subsidiaries, and to a lesser degree, other third party mobile operators.

Revenues are recorded on a gross basis when most of the gross indicators are met, such as when we are considered the primary obligor in the arrangement, where we design and develop (in some cases with the assistance of third-parties) the MIVAS, have reasonable latitude to establish price, have discretion in selecting the mobile operators to offer our MIVAS, provide customer services and take on the credit risks associated with the transmission fees. Conversely, revenues are recorded on a net basis when most of the gross indicators are not met. The determination of whether we are the primary obligor for a particular type of service is subjective in nature and is based on an evaluation of the terms of the arrangement. If the terms of the arrangement with operators were to change and cause the gross indicators to not be met, we would need to record our MIVAS revenues on a net basis. In 2010, approximately 64.3% of our MIVAS revenues were recorded on a gross basis. Consequently, recording MIVAS revenues on a net basis would cause a significant decline in our total revenues and could have a significant impact on our gross profit margin.

We receive monthly billing statements from mobile operators which provide details of the total revenues collected by them relating to MIVAS and the Company's shares of such revenues. Due to the time lag between when the services are rendered and when the mobile operators' reports are received, MIVAS revenues are estimated based on our internal records of billings and transmissions for the

month. If subsequent billing statements from the operators differ significantly from management's estimates, our revenues could be materially impacted. We have not noted any significant differences between management's estimates and the operators' billing statements historically.

We also contract with China Mobile to provide news content and other services to support China Mobile's mobile newspaper services. A fixed fee is charged for the contract period, and is recognized as revenue using the straight-line method.

*Video VAS.* We generate revenues by offering television content and documentaries produced in-house or licensed from Phoenix TV or third parties and edited by us through our video VAS, which consist of online subscription and pay-per-view video services, mobile subscription and pay-per-view video services and video content sales. Revenues from our online subscription and pay-per-view video services and mobile subscription and pay-per-view video services are recognized in the period in which the service is performed, provided no significant obligations remain, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

Mobile subscription and pay-per-video video services are provided through contracts we sign with China Mobile and other third party mobile operators. Revenues from these services are recorded on a net basis as the mobile operators are considered to be the primary obligors in the transactions, and set the prices of the services.

We also generate revenues by sublicensing a portion of the video content we obtain from Phoenix TV, mainly including TV programs and documentaries. The licensing agreements we enter into with third party websites or other media companies involve the transfer of broadcasting rights with a definitive license period. In accordance with Accounting Standards Codification (ASC) 926-605, *Entertainment-Films, Revenue Recognition*, we recognize revenues in respect of our video content sales arrangements when the following criteria are met: persuasive evidence of a sublicensing arrangement with a customer exists, the content has been delivered or is available for immediate and unconditional delivery, the sublicense period of the arrangement has begun and the customer can begin its exploitation, exhibition, or sale, the arrangement fee is fixed or determinable and collection of the arrangement fee is reasonably assured. Pursuant to the Phoenix TV Cooperation Agreement, we pay Phoenix TV 50% of the revenues we earn from sublicensing Phoenix TV's video content, which is recognized in our cost of revenues.

*Internet VAS.* Internet VAS revenues are derived principally from online promotion solutions, including Internet advertising campaigns, Internet website design and development services provided to promote certain special marketing events of our customers. We also provide other Internet VAS, such as our "Pick-Ur-Stock" service. Internet VAS revenues are recognized ratably over the period during which the required services were provided and when all revenue recognition criteria were met.

#### *Expenses Incurred by Phoenix TV on our Behalf*

Our consolidated statements of operations include all the related costs of providing net advertising revenues and paid service revenues, including those costs incurred by Phoenix TV to produce its content, which are also used to support our operations. These content production costs are allocated based on relative revenues generated from this content by us and by Phoenix TV.

Our consolidated statements of operations also include an allocation of certain general corporate expenses from Phoenix TV, including allocation of advertising and promotion fees, technical services expenses, and corporate administrative expenses:

- Advertising and promotion fees are allocated to us based on our percentage of revenue to the total historical revenues of Phoenix TV.
- Technical service expenses relate to salaries, bonuses and other benefits of the technical support staffs which are allocated to us based on the percentage of estimated time incurred for our

business to total time incurred for Phoenix TV, and technical service fees paid to external parties by other entities of Phoenix TV on our behalf.

- Corporate administrative expenses relate to salaries, bonuses and other benefits of the Phoenix TV's top management which are allocated to us based on percentage of estimated time incurred for our business to total time incurred for Phoenix TV, and other general corporate expenses paid to external parties by other entities of Phoenix TV on our behalf.

#### *Share-based Compensation*

We use the fair-value based method to account for share-based compensation. Accordingly, share-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employees' requisite service period. Share-based compensation for awards granted with service conditions are recognized, net of a forfeiture rate, over the requisite service period of the award, which is the vesting term, based on the fair value of the award on the grant date.

If the equity instrument is modified after the grant date, additional compensation expenses may be recognized, in an amount equal to the excess of the fair value of the modified equity instrument over the fair value of the original equity instrument immediately before the modification. The additional compensation expenses are recognized immediately on the date of the modification or over the remaining requisite service period, depending on the vesting status of the awards.

Total share-based compensation expenses in 2008, 2009 and 2010 were RMB29.9 million, RMB10.2 million and RMB16.6 million, respectively.

Determining the value of our share-based compensation expense in future periods requires the input of highly subjective assumptions, including the expected life of the share-based payment awards, estimated forfeitures and the price volatility of the underlying shares. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our share based compensation expense could be materially different in the future.

Determining the fair value of options requires making complex and subjective judgments. In assessing the fair value of the options we have granted, we considered the following principal factors:

- the nature of our business and the contracts and agreements relating to our business;
- the global economic outlook in general and the specific economic and competitive elements affecting our business;
- the nature and prospects of our industry in China;
- the growth of our operations; and
- the risks facing our business.

We are responsible for estimating the fair value of ordinary shares and share-based awards. To determine the fair value of our ordinary shares, the three generally accepted approaches were considered: the cost, market and income approaches. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of companies which are a going concern, as it does not capture the future earnings potential of the business. Given that our current stage of development is different from those of other publicly listed companies in the same industry, comparability of the financial metrics of peer companies and the relevance of the market approach were considered low. In view of the above, we considered the income approach to be the most appropriate method to derive the fair value of our ordinary shares, and market approach was also

considered for verifying the result. We also utilize the market approach to check the valuation derived from the income approach.

For the income approach, we utilized a discounted cash flow, or DCF, analysis based on our management's best estimates of projected cash flows as of each of the valuation dates. The projected cash flows include among other things, an analysis of projected revenue growth, gross margins, effective tax rates, capital expenditures, working capital requirements and depreciation and amortization. We used cash flow projections up to year 2014 for valuation dates up to July 1, 2010, and used cash flow projections to year 2015 for valuations as of December 31, 2010 and thereafter. Terminal value is determined by the capitalized economic income method, in which a perpetual and constant growth rate of 3% to 4% is assumed after the projection period. The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. The assumptions used in deriving the fair value of our ordinary shares are consistent with our business plan. These assumptions include: we have no significant contingent liabilities, unusual contractual obligations or substantial commitments; there are no significant pending or threatened litigation involving our company; there are no violations of any regulations or laws by us; and we have no redundant assets. These assumptions are inherently uncertain and subjective. The discount rates reflect the risks management perceived as being associated with achieving the forecasts and were derived by using the Capital Asset Pricing Model, after taking into account systematic risks and company-specific risks. The risks associated with achieving our forecasts were assessed in selecting the appropriate discount rates, which ranged from 20.30% to 27.43%. If different discount rates had been used, the valuations would have been different and the amount of share-based compensation would also have been different because the fair value of the underlying ordinary shares for the awards granted would be different.

We also applied discounts for lack of marketability or, DLOM, to our equity value to reflect the fact that there is no ready public market for our shares as we are a closely held private company. When determining the DLOM, the Black-Scholes option pricing model was used. Under this method, the cost of a put option that could be used to hedge the price change before a privately held share can be sold, is considered as a basis to determine the appropriate discount factor for lack of marketability. Based on the analysis, the DLOMs of 30%, 30% and 9.8%-30.0% were used for the valuation of our ordinary shares as of each of the option grant dates in 2008, 2009 and 2010, respectively.

For the market approach, we considered the market profile and performance of four guideline companies engaged in Internet and mobile industry and used such information to derive equity value to earnings multiple. Due to the different growth rates, profit margins and risk levels between us and those four guideline companies, we made adjustments to determine the estimated equity value to our earnings multiple and derived our value accordingly. The comparison with market approach did not result in any adjustments to value derived from the income approach.

The equity value of our company determined at the respective valuation dates based on the above assumptions was allocated between the preferred shares and ordinary shares using the option pricing allocation method and straight allocation method. We have also taken into consideration the transaction price of our Series A convertible redeemable preferred shares issued in November 2009. Considering the premium for the preference of Series A shares, 20% discount is applied to the transaction price of US\$0.19, and the implied fair value of underlying ordinary shares for option valuation purpose would be approximately US\$0.15 as in November 2009, which supports the estimated valuation of our ordinary share of approximately US\$0.15-US\$0.16 for the options grants in July and September 2009 and January 2010.



*Valuation Assumptions:* We estimated the fair value of share options using the Black-Scholes option pricing model. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	For the Year Ended December 31,		
	2008	2009	2010
Expected volatility (%)	55.91%-59.07%	57.60%-58.07%	54.37%-54.91%
Expected dividend yield (%)	—	—	—
Expected term (years)	4.58-5.88	5.31-5.46	4.64-5.30
Risk-free interest rate (per annum) (%)	2.68%-4.14%	2.94%-2.95%	2.65%-3.57%

*Expected Volatility:* We estimated the expected volatility at the date of grant based on the average annualized standard deviation of the share prices of comparable listed companies.

*Expected Dividend Yield:* The Black-Scholes option pricing model calls for a single expected dividend yield as an input. We have not declared or paid any cash dividends on our capital stock, and we do not anticipate any dividend payments on our ordinary shares in the foreseeable future.

*Expected Term:* We estimated the expected term based on the timing of the expected public offering, the vesting schedule and the exercise period of the options.

*Risk-Free Interest Rate:* We based the risk-free interest rate used in the Black-Scholes option pricing model on the derived market yield of the USD denominated Chinese government bond for the term approximating the expected life of award at the time of grant.

*Estimated Pre-vesting Forfeitures:* When estimating forfeitures, we considered both voluntary and company initiated termination.

As of the date of this prospectus, the total number of options outstanding was 17,654,725, of which there were 13,209,312 vested and 4,445,413 unvested options with a weighted average exercise price of US\$0.03215. In addition, 5,602,855 contingently issuable shares were outstanding as of the date of this prospectus.

The grant date, number of options granted, exercise price, fair value and intrinsic value of the options granted to date are set forth below. The number of options, price and value information below are based upon ordinary shares.

Grant Date	Number of Options Granted	Exercise Price (US\$)	Fair Value of the Options as of the Grant Date (US\$)	Fair Value of Underlying Ordinary Shares as of the Grant Date (US\$)	Intrinsic Value (US\$)
July 4, 2008	67,000,000	0.03215	0.08	0.12	0.09
November 5, 2008	1,374,000	0.03215	0.09	0.12	0.09
July 31, 2009	10,584,900	0.03215	0.12	0.15	0.12
September 15, 2009	10,029,900	0.03215	0.12	0.15	0.12
January 8, 2010	4,557,900	0.03215	0.14	0.16	0.13
July 1, 2010	4,760,325	0.03215	0.18	0.21	0.18
September 30, 2010	910,000(1)	0.03215	0.38	0.40	0.37
December 1, 2010	5,540,000(1)	0.03215	0.39	0.43	0.39

- (1) In July 2010, we issued 6,450,000 stock options to certain non-employees with a vesting period of four years starting from the date of issuance, provided that the holders of such stock options became our employees before December 31, 2010. These stock options are considered for accounting purposes to be granted as of the date when the holders became employees of our company, and therefore they are included in our September 30, 2010 and December 1, 2010 grants and their fair values are determined as of such dates.

On March 15, 2011, we cancelled 18,778,200 stock options granted historically, and granted 19,008,200 restricted shares to the affected employees on March 17, 2011. In addition, we further granted 10,050,958 restricted share units to the employees on the same date. The fair value of the restricted shares and restricted share units on March 17, 2011 was US\$1.07 and the fair value of the underlying ordinary shares was US\$1.14.

#### *Income Taxes*

Our current income taxes are provided on the basis of income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for tax purposes, in accordance with the regulations of the relevant tax jurisdictions. We follow ASC 740, *Income Taxes*, and account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for tax consequences attributable to differences between carrying amounts of existing assets and liabilities in financial statements, their respective tax basis, and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates to be applied to taxable income in the year in which those temporary differences are expected to be recovered or settled.

A valuation allowance is provided to reduce the carrying amount of deferred tax assets if it is considered more likely than not that some portion, or all, of the deferred tax assets will not be realized. Accordingly, we consider various tax planning strategies, forecasts of future taxable income and our most recent operating results in assessing the need for a valuation allowance. The effect on deferred tax assets and liabilities arising from changes in tax rates is recognized in statements of operations in the period of such change.

We adopted the guidance on accounting for uncertainty in income taxes as of January 1, 2008. The guidance prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. Significant judgment is required in evaluating the uncertain tax positions and determining its provision for income taxes. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when we believe that certain positions might be challenged despite our belief that our tax return positions are in accordance with applicable tax laws. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, new tax legislation or the change of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

In April 2010, the State Administration of Tax ("SAT") issued Circular 157, which seeks to provide additional guidance on the interaction of certain preferential tax rates under the transitional rules of the EIT Law. Prior to Circular 157, we interpreted the law to mean that if an entity was in a period where it was entitled to a 50% reduction in the tax rate and was also entitled to a 15% rate of tax due to New Technology Enterprise status under the EIT Law, then it was entitled to pay tax at the rate of 7.5%. Circular 157 appears on its face to have the effect that such an entity is entitled to pay tax at either 15% or 50% of the applicable PRC tax rate. The effect of Circular 157 is retrospective and would apply to 2008 and 2009.

However, to date, the Beijing local-level tax bureau has not implemented Circular 157 and is holding the view that the relevant provisions might not apply to New Technology Enterprises in Science & Technology Park of Haidian District, where Fenghuang On-line is located. Therefore Fenghuang On-line has kept its current practice unchanged. Based on our communications with Beijing local-level tax bureau, we have a high confidence level in the technical merits of this tax position, and are highly confident that the 7.5% tax rate will be ultimately applied. Accordingly, we recognized the

full amount of the tax benefit from the preferential tax rate of 7.5% in the financial statements, and did not provide reserve for this tax position.

We expect more guidance to be issued in the future. Upon the issuance of such guidance, Fenghuang On-line's effective tax rate might increase. For example, if Circular 157 were implemented with a retroactive effect, we would be liable to pay an additional RMB2.1 million in taxes.

The EIT Law also provides that an enterprise which is established under the laws of foreign countries or regions but whose "de facto management body" is located in the PRC would be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% with respect to its global income. The Implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located." Based on a review of surrounding facts and circumstances, we consider that it is more-likely-than-not that our operations outside of the PRC should not be considered a resident enterprise for PRC tax purposes, and it is likely that the full amount of benefit will be realized upon settlement. Accordingly, we did not provide a reserve for this tax position. However, due to the limited guidance and implementation history of the EIT Law, should Phoenix New Media Limited be treated as a resident enterprise for PRC tax purposes, we would be subject to PRC tax on worldwide income at a uniform tax rate of 25% retroactive to January 1, 2008.

In accordance with accounting guidance, undistributed earnings of a subsidiary are presumed to be transferred to the parent company and are subject to withholding taxes, unless the parent company has evidence of specific plans for reinvestment of undistributed earnings of a subsidiary which demonstrate that remittance of the earnings will be postponed indefinitely. The current policy adopted by the Company's Board of Directors allows the Company's PRC subsidiary to distribute PRC earnings offshore only if the Company does not have to pay a dividend tax. Based on the Enterprise Income Tax Law, which became effective on January 1, 2008, such policy would require the Company's PRC subsidiary to indefinitely reinvest all earnings made in China since 2008 onshore or be subject to a 10% withholding tax should it decide to distribute earnings accumulated since 2008 offshore. We did not record any tax liability related to the dividend withholding tax provision as the Company has specific plans to reinvest its undistributed earnings in the PRC.

#### *Allowance for Doubtful Accounts Receivable*

The carrying value of accounts receivable is reduced by an allowance that reflects our best estimate of the amounts that will not be collected. We make estimations for the collectability of accounts receivable considering many factors including but not limited to reviewing accounts receivable balances, historical bad debt rates, repayment patterns, customer credit worthiness, financial conditions of the customers and industry trend analysis resulting in their inability to make payments due to us. We also make a specific allowance if there is evidence showing that the receivable is likely to be not recoverable.

#### *Foreign Currency*

Our functional currency is the U.S. dollar and functional currency of our subsidiaries and consolidated affiliated entities is RMB. An entity's functional currency is the currency of the primary economic environment in which the entity operates or, in the case of a start-up entity, is the currency that the entity plans to use on a long-term basis. Management must use judgment in determining an entity's functional currency, assessing economic factors including cash flow, sales price, sales market, expense, financing and inter-company transactions and arrangements. The determination of our functional currency as the U.S. dollar is based largely on our planned future operations in North America and Taiwan. To the extent we significantly change how we carry out these plans or they do not materialize, we would need to re-assess the determination of our functional currency. To the extent a re-assessment results in a change to our functional currency our financial position and results of operations may be materially impacted.

Impact from exchange rate changes related to transactions denominated in currencies other than the functional currency is recorded as a gain and loss in our consolidated statements of operations, while impact from exchange rate changes related to translating a foreign entity's financial statements from its functional currency to our reporting currency, the RMB, is disclosed and accumulated in a separate component under the equity section of our consolidated balance sheets. Translation gains or losses are not released to net income unless the associated net investment has been sold, liquidated or substantially liquidated. Management uses judgment in determining the timing of recognition of translation gains or losses. Such determination requires assessing whether translation gains or losses were derived from the sale or complete or substantially complete liquidation of an investment in a foreign entity. Different judgments or assumptions resulting in a change of the timing of recognition of foreign exchange gains or losses may materially impact our financial position and results of operations.

#### *Fair Value of Our Ordinary Shares*

We are a private company with no quoted market prices for our ordinary shares. We have therefore needed to make estimates of the fair value of our ordinary shares at various dates for the following purposes:

- Determining the fair value of our ordinary shares at the date of issuance of convertible instruments as one of the inputs into determining the intrinsic value of the beneficial conversion feature, if any.
- Determining the fair value of our ordinary shares at the date of the grant of a share-based compensation award to our employees as one of the inputs into determining the grant date fair value of the award.

The following table sets forth the fair value of our ordinary shares estimated at different times.

<u>Date</u>	<u>Class of Shares</u>	<u>Fair Value</u>	<u>DLOM</u>	<u>Discount Rate</u>
July 4, 2008	Ordinary Shares	US\$0.12	30.0%	27.43%
November 5, 2008	Ordinary Shares	US\$0.12	30.0%	26.79%
July 31, 2009	Ordinary Shares	US\$0.15	30.0%	24.30%
September 15, 2009	Ordinary Shares	US\$0.15	30.0%	24.34%
January 8, 2010	Ordinary Shares	US\$0.16	30.0%	23.02%
July 1, 2010	Ordinary Shares	US\$0.21	16.3%	22.25%
September 30, 2010	Ordinary Shares	US\$0.40	11.1%	20.75%
December 1, 2010	Ordinary Shares	US\$0.43	9.8%	20.60%
March 17, 2011	Ordinary Shares	US\$1.14	8.0%	20.30%

When estimating the fair value of the ordinary shares, our management has considered a number of factors, including the result of a third-party appraisal prepared in 2011 on a retrospective basis and equity transactions of our company, while taking into account standard valuation methods and the achievement of certain events.

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

	<u>For the year ended December 31,</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
	(RMB in thousands)		
Net cash provided by (used in) operating activities	13,875	(8,627)	85,676
Net cash used in investing activities	(12,108)	(6,555)	(18,059)
Net cash provided by financing activities	76	170,085	620
Effect of changes in exchange rate	3,494	184	(4,150)
Net increase in cash	5,336	155,087	64,087
Cash and cash equivalents at the beginning of period	62,663	67,999	223,086
Cash and cash equivalents at the end of period	67,999	223,086	287,173

The fair value of the ordinary shares was determined with the assistance of Grant Sherman Appraisal Limited, or Grant Sherman, an independent third-party valuation firm. The valuation reports from Grant Sherman have been used as part of our analysis in reaching our conclusion on share values. We reviewed the valuation methodologies used by Grant Sherman and believe the methodologies used are appropriate and the valuation results are representative of the fair value of our ordinary shares.

The increase in the fair value of our ordinary shares from US\$0.16 as of the January 2010 option grants to US\$0.21, as of the July 2010 option grants, and to US\$0.40 as of the September 2010 option grants primarily because our ability to generate cash increased substantially driven by:

- an increase in our advertising space selling price since the third quarter of 2010 as the PV and UV of our website were substantially higher than the industry average and many of our major competitors and we therefore were able to charge a higher premium;
- experienced executives joining us after we obtained the investment from our issuance of Series A convertible redeemable preferred shares in November 2009; and
- the high growth rate of our WVAS revenues in 2010 resulting from our larger WVAS business volume due to our ability to offer revenue sharing payments to our channel partners on a more frequent basis and our securing better quality channel partners based on the quality of our content.

The above factors caused an increase of the revenue and cash flow forecasts used to estimate our value in July and September 2010, as compared to those used in January 2010, resulting in increased fair value of our ordinary shares.

The increase in the fair value of our ordinary shares from US\$0.40 as of the September 30, 2010 option grants to US\$0.43 as of the December 1, 2010 option grants is primarily attributable to the following factors:

- We received approval from Phoenix TV in October 2010 to begin to undertake an initiative to enhance the integration of our and Phoenix TV's content management systems, by allowing us to directly access Phoenix TV's programs digitally, in addition to our current access via satellite signal, and to expedite the transmission of our content to Phoenix TV. This initiative is expected to further enhance our and Phoenix TV's cross promotion of content, resulting in increased synergies from greater convergence of our respective platforms.
- We officially kicked off our initial public offering project in November 2010, resulting in a decrease of our DLOM from 11.1% as of September 30, 2010 to 9.8% as of December 1, 2010.

The increase in the fair value of our ordinary shares from US\$0.43 as of the December 1, 2010 option grants to US\$1.14 as of the March 17, 2011 award grants is primarily attributable to the following factors:

- We completed our financial audit for 2010 and achieved significantly better financial performance than our previous estimate as of December 1, 2010, resulting from strong growth in net advertising revenues and all components of paid services revenues, including MIVAS, video VAS and Internet VAS. Our non-GAAP adjusted net income of RMB90.6 million for 2010 exceeded the threshold target for a Qualified IPO as set forth in our amended and restated memorandum and articles of association by 13.3%. This percentage by which we exceeded the threshold target surpassed our expectation as of December 1, 2010. In view of the above, we increased our financial forecasts from our previous estimates as of December 1, 2010.
- Year-on-year growth of the average daily PV and UV of ifeng.com for January and February 2011 reached unprecedented growth rates for our company, at 116% and 62%,

respectively, and significantly exceeded the growth rates we anticipated as of December 1, 2010. By March 17, 2011, ifeng.com's PV surpassed that of Sohu.com, according to iWebChoice.

- Three senior management members joined our company in December 2010, including our chief financial officer, editor-in-chief and vice president in charge of our video business.
- We formally established our video division and formulated a new video business strategy in January 2011, we also increased the headcount of this division from 64 to 78 from December 31, 2010 to March 17, 2011, including five key hires of personnel at or above director-level positions, which will help us to expand our video business according to our planned actions.
- We determined in December 2010 to strengthen our Northeast regional advertising sales force by increasing this sales force's employees by over 40% in the first half of 2011.
- We made our first confidential submission to the SEC on January 5, 2011 and our third confidential submission to the SEC, including our financial statements for 2010, on March 14, 2011, which significantly increased the certainty of this offering. In addition, we estimated the date of this offering to be in May 2011. The increased certainty and decrease in expected time to the initial public offering lowered the discount for lack of marketability ("DLOM") from 9.8% as of December 1, 2010 to 8.0% as of March 17, 2011.
- Tianying Jiuzhou entered into a new digital reading contract with China Mobile Communications Group Zhejiang Company Limited, or China Mobile Zhejiang, effective as of December 10, 2010, pursuant to which Tianying Jiuzhou provides digital book content to China Mobile Zhejiang, which in turn distributes this content to its customers through its mobile network. China Mobile Zhejiang is obligated to pay Tianying Jiuzhou 40% of the revenues it earns from providing Tianying Jiuzhou's digital book content to its customers. The term of this contract is two years.
- Tianying Jiuzhou entered into a new cooperation agreement with China Mobile in February 2011, pursuant to which the parties agreed to jointly explore the mobile advertising business, subject to Tianying Jiuzhou and China Mobile entering into a supplemental agreement. Accordingly, we increased our estimates for future net advertising revenues.
- Following the successful initial public offering of Youku.com Inc. in December 2010 and until March 17, 2011, advertisers' acceptance of Internet video advertising increased significantly. Consequently, we increased our projections for our video advertising business.
- We successfully entered into a series of advertising framework agreements from December 31, 2010 to March 17, 2011 which not only met our budgeted target in terms of aggregate contract amount for the first quarter of 2011, but were also mostly entered into directly with advertisers. This was in contrast with past practice wherein we typically entered into most of our advertising framework agreements with advertising agencies. Since advertisers, as opposed to advertising agencies, ultimately decide whether to actually purchase our advertising services, entering into framework agreements directly with advertisers provides us with greater certainty of generating business than entering into such agreements with advertising agencies. The number and contract amount of the framework agreements we entered into directly with advertisers from December 31, 2010 to March 17, 2011 exceeded our expectation as of December 1, 2010.

#### *Fair Value of Our Series A Convertible Redeemable Preference Shares*

In addition to our ordinary shares, we have also, with the assistance of Grant Sherman Appraisal Limited, determined the fair value of the Series A convertible redeemable preference shares. The result of which is used to determine the amount of redemption value as well as the amortization of the associated beneficial conversion feature. Consistent with ordinary shares discussed above, the

determination of the fair value of our Series A convertible redeemable preference shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of these shares and our operating history and prospects at the time of valuation.

Grant Sherman used the discounted cash flow, or DCF, method of the income approach to assess the fair value of ordinary shares in 2009 and 2010. The determination of the fair value of our ordinary shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

### **Internal Control over Financial Reporting**

Prior to this offering, we have been a private company with a relatively short operating history and limited accounting personnel and other resources with which to address our internal controls and procedures over financial reporting. During the course of the audit of our consolidated financial statements for the years ended December 31, 2008, 2009 and 2010, we and our independent registered public accounting firm identified one material weakness and one significant deficiency in our internal control over financial reporting, as defined in AU 325, Communicating Internal Control Related Matters Identified in an Audit, of the AICPA Professional Standards. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of our company's financial statements will not be prevented, or detected and corrected 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 weakness identified relates to the lack of sufficient accounting personnel with appropriate understanding of U.S. GAAP accounting issues and the SEC's reporting requirements. The significant deficiency relates to the lack of written accounting manual and closing procedures to facilitate preparation of financial statements for financial reporting purposes. The material weakness resulted in audit adjustments and corrections to our financial statements.

We hired a chief financial officer with public company reporting and U.S. GAAP experience in early December 2010. In addition, we plan to take initiatives to improve our internal control over financial reporting and disclosure controls, including (i) establishing an audit committee to oversee the accounting and financial reporting processes as well as external and internal audits of our company, (ii) establishing an internal audit function, (iii) hiring additional qualified professionals with relevant accounting experience for our finance and accounting department at both headquarters and subsidiaries levels, (iv) providing U.S. GAAP accounting and financial reporting training for our existing personnel, (v) standardizing our accounting systems by introducing additional programs and procedures, (vi) formalizing and standardizing policies and procedures in relation to period-end-closing and financial reporting at both headquarters and subsidiaries levels and (vii) increasing the level of interaction among our management, audit committee and other external advisors. However, the implementation of these initiatives may not fully address the material weakness and significant deficiency in our internal control over financial reporting. See "Risk Factors—Risks Relating to Our Business and Industry—During the course of the audit of our consolidated financial statements, we and our independent registered public accounting firm identified one material weakness and one significant deficiency in our internal control over financial reporting. If we fail to establish and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results in accordance with U.S. GAAP may be materially and adversely affected. In addition, investor confidence in us and the market price of our ADSs may decline significantly if we or our independent registered public accounting firm conclude that our internal control over financial reporting is not effective."

Upon the completion of this offering, we will become a public company in the United States that will be subject to the U.S. Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require that we include a report of management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2012. In addition, our independent registered public accounting firm must report on the effectiveness of our internal control over financial reporting. See "Risk Factors—Risks Relating to Our Business and Industry—During the course of the audit of our financial statements, we and our independent registered public accounting firm identified one material weakness and one significant deficiency in our internal control over financial reporting. If we fail to establish and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results in accordance with U.S. GAAP may be materially and adversely affected. In addition, investor confidence in us and the market price of our ADSs may decline significantly if we or our independent registered public accounting firm conclude that our internal control over financial reporting is not effective."

## Description of Key Statement of Operations Items

### Revenues

The following table sets forth the principal components of our total revenues by amount and by percentage of total revenues for the periods presented.

	For the year ended December 31,					
	2008		2009		2010	
	RMB	%	RMB	%	RMB	US\$
	(in thousands except percentages)					
Revenues:						
Net advertising revenues	40,259	18.1%	81,632	31.1%	204,370	30,965
Paid service revenues	182,367	81.9%	180,715	68.9%	324,326	49,140
Total revenues	222,626	100%	262,347	100%	528,696	80,105

### Revenues

We derive our revenues from advertising services and paid services.

*Advertising services.* Our net advertising revenues accounted for 18.1%, 31.1% and 38.7% of our total revenues in 2008, 2009 and 2010, respectively. We generate our net advertising revenues from payments made by advertisers to place advertisements on our websites for particular durations of time. We provide our advertising services through our online and video channels primarily and, to a small extent at present, through our mobile channel. The advertising formats we offer generally include banners, videos, text-links, logos, buttons and rich media. Growth in our number of advertisers and average revenue per advertiser, or ARPA, both contributed significantly to the growth of our net advertising revenues from 2008 to 2009, and from 2009 to 2010. Our number of advertisers reached 197, 319 and 502 as of December 31, 2008 and 2009 and 2010, respectively. Our ARPA increased from RMB0.2 million in 2008, to RMB0.3 million in 2009, and to RMB0.4 million in 2010. Such increases in ARPA were driven by greater demand for our advertising services and our offering of a greater variety of advertising services in attractive service packages, which allowed us to increase the prices we charged and generate a greater volume of advertising business per customer.

Advertisers purchase our advertising services primarily through third-party advertising agencies. As is typical in the Chinese online advertising industry, most of the advertisements on our website are charged on the basis of duration. A small amount of the advertisements presented on our website are charged on a cost-per-thousand-impression, or CPM, basis. Our advertising contracts establish fixed



prices for the advertising services we provide. We recognize advertising revenues on a net basis after deducting service fees earned by advertising agencies, and based on the delivery pattern over the display period as specified in the relevant contract. Going forward, we expect our net advertising revenues to comprise an increasing share of our total revenues.

We also earn advertising revenues from Phoenix TV for joint TV and new media advertising solutions which we provide together with Phoenix TV to certain Phoenix TV advertising customers. We record these revenues as net advertising revenues earned from related parties. Our net advertising revenues earned from related parties accounted for 7.8%, 4.7% and 8.5% of our advertising revenues in 2008, 2009 and 2010, respectively.

*Paid Services.* Our paid service revenues contributed 81.9%, 68.9% and 61.3% of our total revenues in 2008, 2009 and 2010, respectively. The following table sets forth our paid service offerings and their respective contributions to our paid service revenues and total revenues in 2010.

<b>Paid Service Offerings<sup>(1)</sup></b>	<b>% of paid service revenues</b>	<b>% of total revenues</b>
<b><i>MIVAS (mobile channel)</i></b>	<b>87.3%</b>	<b>53.6%</b>
WVAS	60.6%	37.2%
Digital reading services	23.5%	14.4%
Mobile game services	3.2%	2.0%
<b><i>Video VAS (video channel)</i></b>	<b>8.1%</b>	<b>5.0%</b>
Online video services, mobile video services and video content sales	8.1%	5.0%
<b><i>Internet VAS (ifeng.com channel)</i></b>	<b>4.6%</b>	<b>2.8%</b>
Pick-Ur-Stock and other Internet VAS	4.6%	2.8%

(1) Tianying Jiuzhou conducts most of our WVAS services, our digital reading services, most of our mobile game services, our video VAS services and a portion of our Internet VAS services. Yifeng Lianhe conducts a portion of our WVAS and a small portion of our mobile game services. Fenghuang On-line provides generates revenue from conducting certain promotional activities for Phoenix TV, which we categorize within our Internet VAS from an accounting perspective under US GAAP.

We generate most of our paid service revenues from our WVAS, digital reading services and video VAS, which respectively accounted for 60.6%, 23.5% and 8.1% of our paid service revenues in 2010.

- WVAS.** We generate revenues from our WVAS by providing content to mobile operators, including China Mobile, China Unicom and China Telecom, who then transmit our content to their mobile phone users through the relevant value-added service technologies, which include short messaging service (SMS), multimedia messaging service (MMS), ring back tone (RBT), interactive voice response (IVR) and wireless application protocol (WAP). Our WVAS primarily consist of messaging-based services (SMS and MMS). Mobile phone users in China pay for these WVAS as part of their subscriptions or on a per-usage basis. We generally recognize revenues from WVAS in the periods in which the services are performed, either on a gross basis or net of revenue sharing fees, depending on whether certain accounting criteria are met. See "—Critical Accounting Policies—Critical Accounting Policies and Estimates—Paid Service Revenues."
- Digital Reading Services.** We earn revenues from our digital reading services by offering mobile newspapers, which are series of periodicals that can be easily viewed and navigated on a mobile phone interface. We generate revenues from this service through two means. First, we provide mobile newspaper content to China Mobile for a fixed fee pursuant to our cooperation agreements with China Mobile. China Mobile pays us at specified periods as set forth in the relevant agreement. China Mobile in turn offers our mobile newspaper content to VIP subscribers of its Go-Tone service as part of their subscriptions. In addition, mobile phone users who are not VIP subscribers to China Mobile's Go-Tone service can also subscribe to the mobile

newspaper services. We provide our mobile newspaper content to all three of the mobile telecommunications operators in China in order to reach these users, and share a portion of the revenues generated from purchases of the service with the operators in the form of a revenues sharing fee. We recognize our digital reading revenues on a net basis.

- **Video VAS.** We generate the majority of our video VAS revenues from our mobile subscription and pay-per-view video services by providing short video clips to mobile phone users through China Mobile's video platform. We launched our mobile video services in 2010. China Mobile's customers pay a monthly subscription fee to access the ifeng video channel on this platform, or pay on a per-clip basis. We generally recognize revenues from its mobile video service in the periods in which the service is performed and on a net basis. We also earn video VAS revenues from our online subscription and pay-per-view video services by offering short clips on our dedicated video vertical, v.ifeng.com. We charge subscribers RMB45 per month for full access to all VIP content available on our vip.v.ifeng.com vertical and also offer more tailored subscriptions for fees ranging from RMB8 to RMB20 per month. We charge pay-per-view users RMB2 for each video they watch on vip.v.ifeng.com. In addition, we generate video VAS revenues through our video content sales services by sublicensing content we obtain from Phoenix TV to third parties, and generate a small amount of video VAS revenues at present from selling our in-house produced video content to third parties.
- **Other.** The remainder of our paid service revenues are derived from our mobile game services and Internet VAS.

Our paid service revenues earned from China Mobile, a related party, accounted for 90.3%, 87.0% and 86.8% of our paid service revenues in 2008, 2009 and 2010, respectively. We generated paid service revenues of RMB130.2 million, RMB100.8 million and RMB218.4 million (US\$33.1 million) from providing content services to customers of China Mobile and collecting fees through revenue sharing arrangements with China Mobile in 2008, 2009 and 2010, respectively. In the same periods, we derived paid service revenues of RMB34.4 million, RMB56.4 million and RMB63.8 million (US\$9.7 million), respectively, from fixed fees from China Mobile for our "mobile newspaper" digital reading service.

### Cost of Revenues

Our cost of revenues consists primarily of (1) revenue sharing fees paid to or retained by mobile operators and channel and content partners, (2) content and operational costs, including content procurement costs, salaries and benefits and other operating costs, (3) bandwidth costs and (4) business taxes and related surcharges. The following table sets forth the components of our cost of revenues by amount and by percentage of total revenues for the periods indicated.

	For the year ended December 31,					
	2008		2009		2010	
	RMB	%	RMB	%	RMB	US\$ %
	(in thousands except percentages)					
Cost of revenues:						
Revenue sharing fees	106,640	47.9%	75,496	28.8%	151,732	22,990 28.7%
Content and operational costs	34,865	15.6%	61,815	23.5%	99,838	15,127 18.8%
Bandwidth costs	14,243	6.4%	18,904	7.2%	19,552	2,962 3.7%
Business tax and surcharges	7,754	3.5%	13,847	5.3%	28,301	4,288 5.4%
Total cost of revenues	<u>163,502</u>	73.4%	<u>170,062</u>	64.8%	<u>299,423</u>	<u>45,367</u> 56.6%

**Revenue Sharing Fees.** We share the revenues generated from the majority of our MIVAS and from our mobile video services with the mobile operators through whose networks and/or service platforms we offer our MIVAS and mobile video services to our users, and channel partners through whose platforms we market and distribute our MIVAS and mobile video services. We also share certain MIVAS revenues with content providers, as applicable. The percentage allocations for our revenue sharing is determined with the relevant parties and varies by service.

The amount of revenue sharing fees that we pay to such third party content and service providers accounts for the largest portion of our revenue sharing fees. In addition, increases in revenue sharing fees are attributable more to increases in revenue sharing fees paid to third party content and service providers, than to increases in revenue sharing fees paid to China Mobile. The revenue sharing percentage to third party content and services providers is generally greater than that to China Mobile. Additionally, revenues sharing fees paid to China Mobile for mobile video services and certain MIVAS are not recognized in the cost of revenues, as they are deducted from these revenues, while revenue sharing fees paid to third party content and service providers for these same services are recognized in cost of revenues. Accordingly, increases in revenue sharing fees for such services are all attributable to fees paid to third party content and service providers.

**Content and Operational Costs.** Our content costs consist of (i) personnel-related costs which include share-based compensation associated with content production and advertising sales support, (ii) payments we make to third-party professional media companies, (iii) the license fees we pay to Phoenix TV for the use of its content, (iv) content procurement costs and (v) production costs related to our in-house produced content. Our operational costs consist of office expenses, costs related to events, channel testing costs in connection with advertising revenue generating activities and other miscellaneous costs.

**Bandwidth Costs.** Bandwidth costs are the fees we pay to mobile operators and other service providers for telecommunications services and for hosting our servers at their Internet data centers.

**Business Tax and Related Surcharges.** Business tax is imposed by the Chinese government on revenues we report for the provision of taxable services, transfers of intangible assets and sales of immovable properties. The business tax rate varies depending on the nature of the revenues. Our advertising services are subject to business tax, surcharges and cultural development fees of 8.5%. Our paid services are subject to business taxes and surcharges of 3.3% or 5.5%. For more information see "—Taxation."

### **Operating Expenses**

Our operating expenses consist of sales and marketing expenses, general and administrative expenses and technology and product development expenses, and include allocations of expenses from Phoenix TV. Share-based compensation expenses are included in our operating expenses as they are incurred. Our operating expenses have increased in absolute terms since 2008 due primarily to increased sales commissions and staff costs in support of our revenue growth, and have declined as a percentage of total revenues. After completion of this offering, we intend to use the net offering proceeds for content acquisition and production, product development and technology infrastructure, marketing and sales, as well as for general corporate purposes. See "Use of Proceeds." In addition, we intend to undertake efforts to remediate our financial controls. As a result, our sales and marketing expenses, general and administrative expenses, and technology and product development expenses may each increase materially in absolute amount, although we do not expect any of these operating expenses to increase materially as a percent of our total revenues.



### **Other Income/(Expenses)**

Our other income/(expenses) reflects interest income, exchange rate gains or losses and others, net, which primarily consists of government subsidies.

### **Taxation**

We are incorporated in the Cayman Islands. Under the current law 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.

Each of our PRC subsidiary and our affiliated consolidated entities are obligated to pay income tax in the PRC. Any technical service fees paid by our affiliated consolidated entities to Fenghuang On-line are deducted from these entities' taxable incomes for purpose of calculating their respective income taxes. On March 16, 2007, the National People's Congress of PRC enacted the Enterprise Income Tax Law, or the EIT Law, under which foreign investment enterprises and domestic companies would be subject to EIT at a uniform rate of 25% of taxable net income. There will be a five-year transition period for foreign invested enterprises, during which foreign invested enterprises are allowed to continue to enjoy their existing preferential tax treatments. Preferential tax treatments will continue to be granted to entities which conduct businesses in certain encouraged sectors and to entities otherwise classified as "Software Enterprises" and/or HNTE, irrespective of whether they are foreign invested enterprises or domestic companies. The EIT Law became effective on January 1, 2008.

Under the EIT Law, enterprises that were established and already enjoyed preferential tax treatments before March 16, 2007 will continue to enjoy them (i) in the case of preferential tax rates, for a period of five years from January 1, 2008, or (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term.

Under the previous income tax laws and rules prior to January 1, 2008, Fenghuang On-line has been qualified as "New Technology Enterprise," and could enjoy a favorable tax rate of 15% and were exempted from income tax for three years beginning with their first year of operations, and were entitled to a 50% tax reduction to 7.5% for the subsequent three years and 15% thereafter. In addition, the EIT Law provides grandfather treatment for enterprises which were qualified as "New Technology Enterprises" under the previous income tax laws and were established before March 16, 2007, if they continue to meet the criteria for New Technology Enterprises after January 1, 2008. The grandfather provision allows these enterprises continue to enjoy their unexpired tax holiday provided by the previous income tax laws and rules. Fenghuang On-line continued to meet the criteria for New Technology Enterprises from 2008 to 2010 under the EIT Law, and it can continue to enjoy its unexpired tax holidays. Therefore, Fenghuang On-line was entitled to tax exemption from 2006 to 2008 and a 50% reduction of its applicable EIT rate to 7.5% from 2009 to 2010. If Fenghuang On-line will continue to be qualified as New Technology Enterprise in 2011, it will continue to be entitled to a 50% reduction of its applicable EIT rate to 7.5% in 2011.

In April 2010, the State Administration of Tax issued Circular 157, which seeks to provide additional guidance on the interaction of certain preferential tax rates under the transitional rules of the EIT Law. Prior to Circular 157, we interpreted the law to mean that if an entity was in a period where it was entitled to a 50% reduction in the tax rate and was also entitled to a 15% rate of tax due to New Technology Enterprise status under the EIT Law, then it was entitled to pay tax at the rate of 7.5%. Circular 157 appears on its face to have the effect that such an entity is entitled to pay tax at either 15% or 50% of the applicable PRC tax rate. The effect of Circular 157 is retrospective and would apply to 2008 and 2009.

However, to date, the Beijing local-level tax bureau has not implemented Circular 157 and has held the view that the relevant provisions might not apply to New Technology Enterprises in Science & Technology Park of Haidian District, where Fenghuang On-line is located. Therefore Fenghuang On-line has kept its current practice unchanged. We expect more guidance to be issued in the future.

Upon the issuance of such guidance, Fenghuang On-line's effective tax rate might increase. For example, if Circular 157 were implemented with a retroactive effect, we would be liable to pay an additional RMB2.1 million in taxes.

Tianying Jiuzhou has been qualified as HNTE under the EIT Law from 2008 to 2010. Therefore, Tianying Jiuzhou was entitled to the preferential tax rate of 15% from 2008 to 2010 and will continue to enjoy this preferential tax rate, provided that it continues to be qualified as HNTE during such period.

Yifeng Lianhe and Tianying Chuangzhi are subject to a 25% EIT rate for all the periods presented.

Under the EIT Law, dividends paid from our PRC subsidiary are subject to a withholding tax at 10%. This new dividend withholding tax, however, will only be levied on our PRC subsidiary in respect of profits earned in 2008 onwards. Profits distributed after January 1, 2008 but related to financial results generated in the year ended December 31, 2007 and prior years will not be subject to dividend withholding tax. The dividend withholding tax rate can be lower than 10% subject to tax treaties between China and foreign countries or regions.

The EIT Law also provides that an enterprise established under the laws of foreign countries or regions but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located." Based on a review of surrounding facts and circumstances, the Company does not believe that it is likely that its operations outside of the PRC should be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history the EIT Law, should we be treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on worldwide income at a uniform tax rate of 25% retroactive to January 1, 2008.

The advertising revenues of Tianying Jiuzhou and its subsidiary earned from external customers are subject to business taxes, surcharges and cultural development fees at a rate of 8.5%. The affiliated consolidated entities' paid service revenues earned from external customers are subject to business taxes and surcharges at rates of 3.3% to 5.5%. Additionally, the technical service fees paid by the affiliated consolidated entities to Fenghuang On-line pursuant to the contractual arrangements are subject to business taxes and surcharges at a rate of 5% to 5.5%. Therefore, due to our current structure in the PRC, our revenues may be subject to business tax and surcharge more than once.

### **Our Selected Quarterly Results of Operations**

The following table presents our selected unaudited quarterly results of operations for the eight quarters in the period from January 1, 2009 to December 31, 2010. This information should be read together with our audited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated financial statements for the quarters presented on the same basis as our audited consolidated financial statements. The unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating

results for the quarters presented. The historical quarterly results presented below are not necessarily indicative of the results that may be expected for any future quarters or periods.

	Three Months Ended,								
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)								
<b>Revenues:</b>									
Net advertising revenues	9,533	16,971	23,046	32,082	34,497	45,511	49,326	75,034	11,369
Paid service revenues	39,643	46,418	57,279	37,375	62,517	78,544	100,028	83,237	12,612
<b>Total revenues</b>	<b>49,176</b>	<b>63,389</b>	<b>80,325</b>	<b>69,457</b>	<b>97,014</b>	<b>124,056</b>	<b>149,354</b>	<b>158,271</b>	<b>23,980</b>
Cost of revenues <sup>(1)</sup>	(33,734)	(40,442)	(47,604)	(48,282)	(51,188)	(69,120)	(83,920)	(95,196)	(14,424)
<b>Gross profit</b>	<b>15,442</b>	<b>22,947</b>	<b>32,721</b>	<b>21,175</b>	<b>45,827</b>	<b>54,936</b>	<b>65,434</b>	<b>63,076</b>	<b>9,557</b>
<b>Operating expenses:</b>									
Sales and marketing expenses <sup>(1)</sup>	(6,630)	(8,636)	(11,807)	(19,290)	(14,911)	(14,142)	(21,717)	(25,382)	(3,846)
General and administrative expenses <sup>(1)</sup>	(6,410)	(5,010)	(7,274)	(9,032)	(8,340)	(8,214)	(8,237)	(15,163)	(2,297)
Technology and product development expenses <sup>(1)</sup>	(4,049)	(3,714)	(4,769)	(4,047)	(6,085)	(6,853)	(8,519)	(9,556)	(1,448)
<b>Total operating expenses</b>	<b>(17,090)</b>	<b>(17,361)</b>	<b>(23,850)</b>	<b>(32,369)</b>	<b>(29,336)</b>	<b>(29,209)</b>	<b>(38,473)</b>	<b>(50,101)</b>	<b>(7,591)</b>
<b>Income/(loss) from operations</b>	<b>(1,647)</b>	<b>5,586</b>	<b>8,870</b>	<b>(11,194)</b>	<b>16,491</b>	<b>25,727</b>	<b>26,961</b>	<b>12,975</b>	<b>1,966</b>
Other income	8	176	48	100	498	(89)	890	1,130	171
<b>Income/(loss) before tax</b>	<b>(1,640)</b>	<b>5,762</b>	<b>8,919</b>	<b>(11,094)</b>	<b>16,988</b>	<b>25,639</b>	<b>27,851</b>	<b>14,104</b>	<b>2,137</b>
Income tax benefits/expenses	(177)	(1,347)	(626)	491	(2,234)	(2,363)	(3,278)	(2,624)	(398)
<b>Net income/(loss) attributable to Phoenix New Media Limited</b>	<b>(1,817)</b>	<b>4,415</b>	<b>8,292</b>	<b>(10,603)</b>	<b>14,755</b>	<b>23,275</b>	<b>24,573</b>	<b>11,481</b>	<b>1,740</b>
<b>Net income/(loss) attributable to ordinary shareholders</b>	<b>(1,817)</b>	<b>4,415</b>	<b>8,292</b>	<b>(42,157)</b>	<b>(40,992)</b>	<b>(47,504)</b>	<b>(62,749)</b>	<b>(14,173)</b>	<b>(2,147)</b>
<b>Non-GAAP adjusted net income<sup>(2)</sup></b>	<b>(641)</b>	<b>5,364</b>	<b>12,726</b>	<b>(6,922)</b>	<b>17,453</b>	<b>25,471</b>	<b>29,322</b>	<b>18,398</b>	<b>2,788</b>

Notes:

- (1) Includes share-based compensation expenses as follows:

	Three Months Ended,								
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)								
<b>Allocation of share-based compensation expenses:</b>									
Cost of revenues	163	129	237	246	180	146	366	161	24
Sales and marketing expenses	228	185	1,705	785	592	488	2,667	917	139
General and administrative expenses	641	520	2,179	2,418	1,755	1,422	1,507	5,722	867
Technology and product development expenses	144	115	313	232	171	140	209	117	18

- (2) We define adjusted net income/(loss), a non-GAAP financial measure, as net income/(loss) attributable to Phoenix New Media Limited excluding share-based compensation expenses. We believe that separate analysis and exclusion of the non-cash impact of share-based compensation adds clarity to the constituent parts of our performances. We review adjusted net income/(loss) together with net income/(loss) to obtain a better understanding of our operating performance. We use this non-GAAP financial measure for planning and forecasting and measuring results against the forecast. Using several measures to evaluate our business allows us and our investors to assess our relative performance against our competitors and ultimately monitor our capacity to generate returns for our investors. We also believe it is useful supplemental information for investors and analysts to assess our operating performance without the effect of non-cash share-based compensation expenses, which have been and will continue to be significant recurring expenses in our business. However, the use of adjusted net income/(loss) has material limitations as an analytical tool. One of the limitations of using non-GAAP adjusted net income/(loss) is that it does not include all items that impact our net income/(loss) for the period. In addition, because adjusted net income/(loss) is not calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies. In light of the foregoing limitations, you should not consider adjusted net income/(loss) in isolation from or as an alternative to net income/(loss) prepared in accordance with U.S. GAAP.

Our non-GAAP adjusted net income is calculated as follows for the periods presented:

	Three Months Ended,								
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)								
Net income/(loss) attributable to Phoenix New Media Limited	(1,817)	4,415	8,292	(10,603)	14,755	23,275	24,573	11,481	1,740
Add back: Share-based compensation expenses	1,176	949	4,434	3,681	2,698	2,196	4,749	6,917	1,048
Non-GAAP adjusted net income	(641)	5,364	12,726	(6,922)	17,453	25,471	29,322	18,398	2,788

We have generally experienced consistent growth in our quarterly total revenues for the eight quarters in the period from January 1, 2009 to December 31, 2010, although our total revenues decreased from the third quarter to the fourth quarter of 2009 due to the timing of recognition of certain revenues earned from our digital reading "mobile newspaper" service and certain changes in the policies of mobile operators, as discussed below. The growth in our quarterly total revenues was driven by continual increases in our net advertising revenues and generally by increases in our paid service revenues. Increases in our net advertising revenues were mainly attributable to the increased use by brand advertisers of our advertising services to promote their brands and market their products and services, as evidenced by our increased number of advertisers and increased ARPA during these periods. Increases in our paid service revenues were primarily due to our increased paid service offerings and increased number of users of our paid services. On a year-on-year basis, our total revenues increased at a higher rate than our cost of revenues and operating expenses during these periods, as we have been able to achieve greater economies of scale and higher operating leverage.

Our quarterly results of operations are affected by seasonal trends. In particular, our net advertising revenues are generally higher in the fourth quarter due to greater advertising spending by our advertisers near the end of each calendar year when they spend the remaining portions of their annual budgets. In addition, advertising spending has historically been cyclical, reflecting overall economic conditions as well as the budgeting and buying patterns of our advertisers. Our rapid growth has lessened the impact of seasonal fluctuations and cyclicity. However, we expect that seasonal fluctuations and cyclicity will continue to affect our quarterly and annual operating results. See "Risk Factors—Risks Relating to Our Business and Industry—Our quarterly revenues and 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 paid service revenues decreased in the fourth quarter of 2010 compared to the third quarter of 2010 and in the fourth quarter of 2009 compared to the third quarter of 2009 because we did not recognize revenues for the digital reading "mobile newspaper" content we provided to China Mobile in November and December 2009 and 2010 as we were in the process of renegotiating the relevant cooperation contracts with China Mobile. The decrease in our paid service revenues in the fourth quarter of 2009 compared to the third quarter of 2009 was also due to a change in the policies of mobile operators, including China Mobile, to restrict pre-installations of mobile applications on handsets, tighten the requirement of additional customer billing confirmations and temporarily suspend the billing of WAP services due to government restrictions on WAP services providing offensive content. Our sales and marketing expenses increased significantly from the third quarter to the fourth quarter of 2009 and from the second quarter to the third quarter of 2010 due to a greater number of promotional activities that we undertook in the relevant periods. These expenses also decreased from the first quarter of 2010 to the second quarter of 2010, and increased from the second quarter 2010 to the third quarter of 2010 due to adjustments in personnel that we made in order to strengthen our advertising sales team.



## Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated both in absolute amount and as a percentage of our total revenues. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The operating results in any period are not necessarily indicative of the results you may expect for future periods.

	For the year ended December 31,						
	2008		2009		2010		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except percentage)						
<b>Revenues:</b>							
Net advertising revenues <sup>(1)</sup>	40,259	18.1%	81,632	31.1%	204,370	30,965	38.7%
Paid service revenues <sup>(1)</sup>	182,367	81.9%	180,715	68.9%	324,326	49,140	61.3%
<b>Total Revenues</b>	<b>222,626</b>	<b>100.0%</b>	<b>262,347</b>	<b>100.0%</b>	<b>528,696</b>	<b>80,105</b>	<b>100.0%</b>
Cost of revenues <sup>(1)(2)</sup>	(163,502)	(73.4)%	(170,062)	(64.8)%	(299,423)	(45,367)	(56.6)%
<b>Gross Profit</b>	<b>59,124</b>	<b>26.6%</b>	<b>92,285</b>	<b>35.2%</b>	<b>229,273</b>	<b>34,738</b>	<b>43.4%</b>
<b>Operating expenses:<sup>(1)(2)</sup></b>							
Sales and marketing expenses <sup>(1)(2)</sup>	(33,855)	(15.2)%	(46,364)	(17.7)%	(76,153)	(11,538)	(14.4)%
General and administrative expenses <sup>(1)(2)</sup>	(37,613)	(16.9)%	(27,727)	(10.6)%	(39,955)	(6,054)	(7.5)%
Technology and product development expenses <sup>(1)(2)</sup>	(17,104)	(7.7)%	(16,579)	(6.3)%	(31,012)	(4,699)	(5.9)%
<b>Total operating expenses</b>	<b>(88,572)</b>	<b>(39.8)%</b>	<b>(90,670)</b>	<b>(34.6)%</b>	<b>(147,120)</b>	<b>(22,291)</b>	<b>(27.8)%</b>
<b>Income/(loss) from operations</b>	<b>(29,448)</b>	<b>(13.2)%</b>	<b>1,615</b>	<b>0.6%</b>	<b>82,153</b>	<b>12,447</b>	<b>15.5%</b>
Other income	1,146	0.5%	332	0.1%	2,429	368	0.5%
<b>Income/(loss) before tax</b>	<b>(28,302)</b>	<b>(12.7)%</b>	<b>1,947</b>	<b>0.7%</b>	<b>84,582</b>	<b>12,815</b>	<b>16.0%</b>
Income tax benefits/(expenses)	149	0.1%	(1,660)	(0.6)%	(10,499)	(1,590)	(2.0)%
<b>Net income/(loss) attributable to Phoenix New Media Limited</b>	<b>(28,153)</b>	<b>(12.6)%</b>	<b>287</b>	<b>0.1%</b>	<b>74,083</b>	<b>11,225</b>	<b>14.0%</b>
<b>Net income/(loss) attributable to ordinary shareholders</b>	<b>(28,153)</b>	<b>(12.6)%</b>	<b>(31,267)</b>	<b>(11.9)%</b>	<b>(165,418)</b>	<b>(25,063)</b>	<b>(31.3)%</b>
<b>Non-GAAP adjusted net income<sup>(3)</sup></b>	<b>1,777</b>	<b>0.8%</b>	<b>10,527</b>	<b>4.0%</b>	<b>90,644</b>	<b>13,734</b>	<b>17.1%</b>

(1) Revenues, cost of revenues and operating expenses include transactions with related parties as follows:

	For the year ended December 31,			
	2008	2009	2010	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net advertising revenues	3,134	3,845	4,824	731
Paid service revenues	164,642	157,276	294,027	44,550
Cost of revenues	(26,910)	(24,721)	(38,800)	(5,879)
Sales and marketing expenses	(3,722)	(3,920)	(7,181)	(1,088)
General and administrative expenses	(760)	(1,155)	(617)	(93)
Technology and product development expenses	(390)	(471)	(645)	(98)

(2) Includes share-based compensation expenses as follows:

	For the year ended December 31,			
	2008	2009	2010	
	RMB	RMB	RMB	US\$
	(in thousands)			
Allocation of share-based compensation expenses:				
Cost of revenues	2,455	775	854	129
Sales and marketing expenses	6,539	2,904	4,664	707
General and administrative expenses	18,374	5,757	10,406	1,577
Technology and product development expenses	2,562	804	637	96



- **Content and operational costs.** Our content and operational costs increased by 61.5% from RMB61.8 million in 2009 to RMB99.8 million (US\$15.1 million) in 2010 due to increases in all components in our content and operational costs as a result of our business expansion.
- **Bandwidth costs.** Our bandwidth costs increased by 3.4% from RMB18.9 million in 2009 to RMB19.6 million (US\$3.0 million) in 2010 due to our increased user traffic, largely offset by the initiation of the use of our content delivery network, or CDN, which enabled us to achieve unit cost savings from both the lower unit cost of our proprietary CDN and improved pricing power with our third-party CDN providers.
- **Business tax and surcharges.** Our business tax and surcharges increased by 104.4% from RMB13.8 million in 2009 to RMB28.3 million (US\$4.3 million) in 2010. This increase was due to the increase of our total revenues.
- **Share-based compensation.** Our share-based compensation allocated to cost of revenues as part of content and operational costs above, increased by 10.2% from RMB0.8 million in 2009 to RMB0.9 million (US\$0.1 million) in 2010. This increase was due to our grant of new options in the period.

As a result of the foregoing, our gross profit increased by 148.4% from RMB92.3 million in 2009 to RMB229.3 million (US\$34.7 million) in 2010. Our gross margin increased from 35.2% in 2009 to 43.4% in 2010.

**Operating Expenses.** Our operating expenses increased by 62.3% from RMB90.7 million in 2009 to RMB147.1 million (US\$22.3 million) in 2010, primarily due to growth of our business. However, our operating expenses as a percentage of revenues declined over this period, from 34.6% to 27.8%, demonstrating our operating leverage.

- **Sales and marketing expenses.** Our sales and marketing expenses increased by 64.2% from RMB46.4 million in 2009 to RMB76.2 million (US\$11.5 million) in 2010. This increase was primarily attributable to an increase in our sales and marketing personnel as we sought to strengthen our sales and marketing team and in our promotion and marketing activities.
- **General and administrative expenses.** Our general and administrative expenses increased by 44.1% from RMB27.7 million in 2009 to RMB40.0 million (US\$6.1 million) in 2010, primarily due to an increase in our management and administrative personnel.
- **Technology and product development expenses.** Our technology and product development expenses increased by 87.1% from RMB16.6 million in 2009 to RMB31.0 million (US\$4.7 million) in 2010, primarily due to an increase in our technology and product development personnel.
- **Share-based compensation.** Our share-based compensation allocated to each of the three categories of operating expenses above, increased by 65.9% from RMB9.5 million in 2009 to RMB15.7 million (US\$2.4 million) in 2010. This increase was due to our grant of new options in the period.

#### **Related Party Transactions**

- Our net advertising revenues increased by 25.4% from RMB3.8 million in 2009 to RMB4.8 million (US\$0.7 million) in 2010, which was primarily attributable to increases in number of advertisers and ARPA.
- Our paid service revenues increased by 86.9% from RMB157.3 million in 2009 to RMB294.0 million (US\$44.5 million) in 2010, which was primarily attributable to increases in our number of paid service offerings and paying users, especially of mobile subscription and

pay-per-view video services, mobile newspaper services provided through direct customer subscriptions, and WVAS.

- Our cost of revenues increased by 56.9% from RMB24.7 million in 2009 to RMB38.8 million (US\$5.9 million) in 2010, which was in line with the increase in our paid service revenues from and through China Mobile during the period.
- Our sales and marketing expenses increased by 83.2% from RMB3.9 million in 2009 to RMB7.2 million (US\$1.1 million) in 2010, which was attributable to the increase of joint promotion and advertising activities held together with Phoenix TV during the period.
- Our general and administrative expenses decreased by 46.6% from RMB1.2 million in 2009 to RMB0.6 million (US\$0.1 million) in 2010, which was primarily attributable to decreases in professional fees incurred for newly granted options which were paid for by Phoenix TV on our behalf.
- Our technology and product development expenses increased by 36.8% from RMB0.5 million in 2009 to RMB0.6 million (US\$0.1 million) in 2010, primarily due to an increase in technology and product development personnel related expenses related to Phoenix TV personnel who provided services to us.

**Interest Income.** Our interest income increased by 17.4% from RMB0.5 million in 2009 to RMB0.6 million (US\$0.1 million) in 2010 primarily due to an increase in the average balance of our bank deposits.

**Income Tax Expenses.** Our interest tax expenses increased by 532.5% from RMB1.7 million in 2009 to RMB10.5 million (US\$1.6 million) in 2010 due to an increase of RMB82.6 million in our income before tax in 2010 compared to 2009.

**Net Income Attributable to Phoenix New Media Limited.** As a result of the foregoing, net income attributable to our company increased substantially from RMB0.3 million in 2009 to RMB74.1 million (US\$11.2 million) in 2010.

#### **Year Ended December 31, 2009 Compared to Year Ended December 31, 2008**

**Revenues.** Our revenues increased by 17.8% from RMB222.6 million in 2008 to RMB262.3 million in 2009. This increase was attributable to growth in our net advertising revenues, which increased by 102.8% from RMB40.3 million in 2008 to RMB81.6 million in 2009, due to increases in our number of advertisers from 197 to 319, and in ARPA from RMB0.2 million to RMB0.3 million. Our paid service revenues remained largely flat over the period due primarily to a decrease of RMB25.4 million in our WVAS revenues resulting from mobile operators' restrictions of pre-installations of mobile applications on handsets, tightening the requirement of additional customer billing confirmations, and a temporary suspension of billing of WAP services due to government restrictions on WAP services providing offensive content, partially offset by an increase of RMB24.3 million in digital reading service revenues primarily attributable to an increase in the fixed fees we received from China Mobile for our content during this period.

**Cost of Revenues.** Our cost of revenues increased by 4.0% from RMB163.5 million in 2008 to RMB170.1 million in 2009. This increase was due primarily to increase in our content and operational costs. Cost of revenues as a percentage of our revenues decreased from 73.4% in 2008 to 64.8% in 2009. This decrease was primarily due to growth in our revenues and increased contribution from net advertising revenues during the period.

- **Revenue sharing fees.** Our revenue sharing fees decreased by 29.2% from RMB106.6 million in 2008 to RMB75.5 million in 2009, resulting from decreased revenues from our WVAS business due to a change in China Mobile's billing confirmation policy for WAP and SMS services.
- **Content and operational costs.** Our content and operational costs increased by 77.3% from RMB34.9 million in 2008 to RMB61.8 million in 2009, due to increases in all components in our content and operational costs as a result of our business expansion.
- **Bandwidth costs.** Our bandwidth cost increased by 32.7% from RMB14.2 million in 2008 to RMB18.9 million in 2009, resulting from increased bandwidth needs to support the growth of our user traffic.
- **Business tax and surcharges.** Our business tax and surcharges increased by 78.6% from RMB7.8 million in 2008 to RMB13.8 million in 2009. This increase was due to the increase of our total revenues.
- **Share-based compensation.** Our share-based compensation allocated to cost of revenues as part of content and operational costs above, decreased by 68.4% from RMB2.5 million in 2008 to RMB0.8 million in 2009. This decrease was due to fewer option grants in 2009 as compared to 2008.

As a result of the foregoing, our gross profit increased by 56.1% from RMB59.1 million in 2008 to RMB92.3 million in 2009. Our gross margin increased from 26.6% in 2008 to 35.2% in 2009.

**Operating Expenses.** Our operating expenses increased by 2.4% from RMB88.6 million in 2008 to RMB90.7 million in 2009, primarily due to growth of our business. However, our operating expenses as a percentage of revenues declined over this period from 39.8% to 34.6%.

- **Sales and marketing expenses.** Our sales and marketing expenses increased by 36.9% from RMB33.9 million in 2008 to RMB46.4 million in 2009. This increase was primarily attributable to an increase in our sales and marketing personnel as we sought to strengthen our sales and marketing team and increased promotion and marketing activities.
- **General and administrative expenses.** Our general and administrative expenses decreased by 26.3% from RMB37.6 million in 2008 to RMB27.7 million in 2009, primarily due to a decrease in share-based compensation from RMB18.4 million in 2008 to RMB5.8 million in 2009.
- **Technology and product development expenses.** Our technology and product development expenses decreased by 3.1% from RMB17.1 million in 2008 to RMB16.6 million in 2009, primarily due to a decrease in share-based compensation from RMB2.6 million in 2008 to RMB0.8 million in 2009.
- **Share-based compensation.** Our share-based compensation allocated to each of the three categories of operating expenses above, decreased by 65.5% from RMB27.5 million in 2008 to RMB9.5 million in 2009. This decrease was due to fewer option grants in 2009 as compared to 2008.

#### **Related Party Transactions**

- Our net advertising revenues increased by 22.7% from RMB3.1 million in 2008 to RMB3.8 million in 2009, which was primarily attributable to increases in our number of advertisers and ARPA.
- Our paid service revenues decreased by 4.5% from RMB164.6 million in 2008 to RMB157.3 million in 2009, resulted from an adverse change in China Mobile's billing policy for WAP and SMS services, which affected China's WAP and SMS service providers generally during this period.

- Our cost of revenues decreased by 8.1% from RMB26.9 million in 2008 to RMB24.7 million in 2009, which was in line with paid service revenue decrease from and through China Mobile.
- Our sales and marketing expenses increased by 5.3% from RMB3.7 million in 2008 to RMB3.9 million in 2009, which was attributable to an increase in our sales and marketing staff and increased advertising and marketing activity.
- Our general and administrative expenses increased by 52.1% from RMB0.8 million in 2008 to RMB1.2 million in 2009, which was primarily attributable to the increase in general operation expenses of professional fees for 2009 financing activity which was paid by Phoenix TV on our behalf.
- Our technology and product development expenses increased by 21.0% from RMB0.4 million in 2008 to RMB0.5 million in 2009, which was primarily due to the salary increase of the technology and product development personnel of Phoenix TV who worked for us.

**Interest Income.** Our interest income decreased by 52.8% from RMB1.0 million in 2008 to RMB0.5 million in 2009 to due to higher cash deposits in 2008 as compared to 2009.

**Income Tax Expenses.** We had an income tax benefit of RMB0.1 million in 2008 and an income tax expenses of RMB1.7 million in 2009 because we had an loss before tax of RMB28.3 million in 2008 and income before tax of RMB1.9 million in 2009.

**Net Income/(loss) attributable to Phoenix New Media Limited.** As a result of the foregoing, we realized a net income attributable to our company of RMB0.3 million in 2009, as compared to a net loss of RMB28.2 million in 2008.

## Liquidity and Capital Resources

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

	For the year ended December 31,			
	2008	2009	2010	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash provided by/(used in) operating activities	13,875	(8,627)	85,676	12,981
Net cash used in investing activities	(12,108)	(6,555)	(18,059)	(2,736)
Net cash provided by financing activities	76	170,085	620	94
Effect of changes in exchange rate	3,494	184	(4,150)	(629)
Net increase in cash	5,336	155,087	64,087	9,710
Cash and cash equivalents at the beginning of period	62,663	67,999	223,086	33,801
Cash and cash equivalents at the end of period	67,999	223,086	287,173	43,511

Our liquidity needs consist of our working capital requirements, which include payment of our operating expenses and financing of our accounts receivable. To date, we have primarily financed our operations with cash generated from our operations and from a private placement of preferred shares to investors. On November 24, 2009, we closed a private placement of our Series A convertible redeemable preferred shares for US\$25.0 million. We currently do not have any bank loans, nor did we have any bank loans in 2008, 2009 or 2010. Phoenix TV advanced a US\$5 million interest-free loan to us in November 2000 for the purpose of funding the working capital of PHOENIXi Investment Limited, or PHOENIXi, and its subsidiaries. The loan from Phoenix TV had an outstanding amount of RMB33.1 million (US\$5.0 million) as of December 31, 2010 and is repayable upon demand by Phoenix TV. We do not expect that Phoenix TV will demand repayment of this loan in the near term, but in the event that Phoenix TV demands a repayment, we plan to make such repayment immediately and we do not expect that such repayment will have any material negative effect on our liquidity. As of

December 31, 2010 we had RMB287.2 million (US\$43.5 million) in cash and cash equivalents. Our cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments placed with banks or other financial institutions, which are unrestricted as to withdrawal or use, and which have original maturities of three months or less. We have not encountered any difficulties in meeting our cash obligations to date. We believe that our cash and cash equivalents and cash flow from operations will be sufficient to meet our anticipated cash needs for the next twenty-four months.

We are a holding company, and we rely principally on dividends and other distributions from our subsidiary in China for our cash requirements. Current PRC regulations permit our subsidiary to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Any limitations on the ability of our PRC subsidiary to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

We receive economic benefits generated from our affiliated consolidated entities in China through various contractual arrangements entered into by Fenghuang On-line, our PRC subsidiary, and the affiliated consolidated entities. Such contractual arrangements include technical licensing and services agreements with Yifeng Lianhe and Tianying Jiuzhou, respectively. Under these contractual arrangements, our affiliated consolidated entities pay to Fenghuang On-line a percentage of their annual revenues in the form of service fees. Any earnings that our PRC subsidiary distributes would be paid to our offshore intermediate holding company primarily through dividends. To date, Fenghuang On-line has not paid dividends to us. As a holding company, we have not required cash for our operations outside of China and therefore Fenghuang On-line has retained its earnings for the purpose of conducting our business operations in China. In each of 2008, 2009 and 2010, respectively, Fenghuang On-line's retained earnings were RMB27.0 million, RMB38.0 million and RMB107.4 million. In each of these same periods, Tianying Jiuzhou paid technical service fees of RMB40.5 million, RMB57.7 million and RMB114.5 million, respectively, to Fenghuang On-line. Yifeng Lianhe did not pay technical service fees to Fenghuang On-line during these periods. Fenghuang On-line incurred costs and expenses primarily related to technology and product development and to our general and administrative expenses.

We currently anticipate that we will be able to fund operations for at least the next twenty-four months with operating cash flow and existing cash balances. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these sources are insufficient to satisfy cash requirements, we may seek to sell additional equity or debt securities or to obtain a credit facility. The sale of additional equity or equity-linked securities could result in additional dilution to shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financial covenants that would restrict operations. Financing may not be available in amounts or on terms acceptable to us, if at all.

### ***Operating Activities***

In 2010, our operating activities generated net cash of RMB85.7 million (US\$13.0 million). This was primarily attributable to net income attributable to Phoenix New Media Limited of RMB74.1 million (US\$11.2 million) and an increase in accounts payable of RMB31.5 million, an increase in our mobile video services revenues, an increase of 212.2% in advertising agency service fees and share-based compensation expenses of RMB16.6 million (US\$2.5 million). The increase in accounts payable in 2010 was due to an increase of 101.0% in our revenue sharing fees resulting mainly from a 65.0% increase in our MIVAS revenues, while the increase in advertising agency fees was attributable to a 150.4% increase in our net advertising revenues. These increases were partially offset by an increase in accounts receivable of RMB42.8 million (US\$6.5 million) attributable to the growth in our net advertising revenues.

In 2009, we had net cash used in operating activities of RMB8.6 million, primarily attributable to a decrease of RMB21.1 million in amounts due to related parties mainly resulting from a change in our cooperation agreement with China Mobile in 2009 pursuant to which we did not receive an advance payments from China Mobile at the end of 2009 as we did at the end of 2008, and an increase in accounts receivable of RMB13.7 million mainly due to the 102.8% increase in our net advertising revenues in this period. This was partially offset by an increase of RMB4.7 million in accounts payable resulting from and a 193.8% increase in advertising agency service fees, primarily attributable to a 102.8% increase in our net advertising revenues, and an increase in advances from advertisers and users of our online video services of RMB3.2 million.

In 2008, our operating activities generated net cash of RMB13.9 million, primarily attributable to an increase of RMB16.3 million in amounts due to related parties, mainly resulting from a change in the terms of our cooperation agreements with China Mobile pursuant to which we received an advance payments of RMB19.0 million from China Mobile at the end of 2008 but did not receive such an advance at the end of 2007, and an increase of RMB6.6 million in accounts payable due to an increase in revenue sharing fees driven by growth in our MIVAS paid service revenues and an increase in agency service fees. This was partially offset by an increase in accounts receivable of RMB11.2 million arising from an increase in net advertising revenues during this period, an increase of RMB7.3 million in amounts due from related parties due to an increase in our MIVAS paid service revenues during this period, and an increase of RMB3.3 million in prepayment and other current assets due to an increase in prepayment for content license fees.

### ***Investing Activities***

Our net cash used in investing activities was RMB12.1 million, RMB6.6 million and RMB18.1 million (US\$2.7 million) for each of 2008, 2009 and 2010. Our investing activities for each of 2008 and 2009 were for capital expenditures, as described in "—Capital Expenditures." Our net cash used in investing activities in 2010 was attributable to capital expenditures of RMB18.1 million (US\$2.7 million) as described in "—Capital Expenditures."

### ***Financing Activities***

We had net cash provided by financing activities of RMB0.6 million (US\$0.09 million) for the year ended December 31, 2010 attributable to proceeds from the exercise of stock options of RMB10.0 million (US\$1.5 million), offset by a cash payment to shareholders of our consolidated affiliated entities of RMB7.9 million (US\$1.2 million) in order to repay these shareholders for their initial funding of the paid-in capital of these entities and costs incurred in connection with this offering of RMB1.5 million (US\$0.2 million).

We had net cash provided by financing activities of RMB170.1 million in 2009 primarily attributable to proceeds from the issuance of our Series A convertible redeemable preferred shares of RMB169.6 million.

We had net cash provided by financing activities of RMB75,539 in 2008 attributable to proceeds from the exercise of stock options.

### ***Capital Expenditures***

We had capital expenditures of RMB12.1 million, RMB6.6 million and RMB18.1 million (US\$2.7 million) in 2008, 2009 and 2010, respectively, all of which were mainly used to purchase computers and equipment. We expect capital expenditures to materially increase by approximately RMB21.7 million in 2011, primarily for additional servers, network equipment, employee computers, and software, including ERP system software. We plan to fund our capital expenditures in 2011 with cash flows from our operations.



**Contractual Obligations and Commercial Commitments**

The following table sets forth our contractual obligations as of December 31, 2010.

	<b>Payments Due by Period</b>		
	<u>2011-2013</u>	<u>2014</u>	<u>After 2015</u>
	(RMB in thousands)		
Rental	18,014	—	—
Property and equipment, and intangible assets	2,413	—	—
Cooperation with Phoenix TV	7,625	3,906	—
Server allocation	3,769	—	—
Others	3,578	—	—
Total	<u>35,399</u>	<u>3,906</u>	<u>—</u>

In January 2011, we entered into a server purchase agreement which obligates us to pay a total of RMB3.3 million, and in March 2011, we entered into an Internet management service agreement which obligates us to pay a total of RMB3.3 million over a period of twelve months. In addition, in March 2011, we entered into a supplemental agreement which extends the end of the term of the Phoenix TV Cooperation Agreement from November 2014 to March 2016. Pursuant to the Phoenix TV Cooperation Agreement, which became effective in November 2009, Fenghuang On-line is obligated to pay Phoenix TV an annual service fee in the amount of RMB1.6 million for the first year of the agreement, which incrementally increases by 25% for each subsequent year of the agreement.

**Off-Balance Sheet Arrangements**

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our own shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements.

Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

**Quantitative and Qualitative Disclosure about Market Risk****Concentration risk**

We depend on China Mobile, which is a shareholder of Phoenix TV, for a significant portion of our business. The revenues generated from paid services we provided through China Mobile for the years ended December 31, 2008, 2009 and 2010 were RMB164.6 million, RMB157.3 million and RMB281.6 million (US\$42.7 million), respectively, which accounted for 74.0%, 59.9% and 53.3% of our total revenue in the respective periods.

We had accounts receivable from China Mobile as of December 31, 2008, 2009 and 2010 of RMB11.9 million, RMB8.7 million and RMB16.5 million (US\$2.5 million), respectively, which are included on our balance sheet as "Amounts due from related parties." Apart from China Mobile, we have no other customer with revenues or accounts receivable accounting for over 10% of our total revenues or total account receivables, respectively.

### ***Credit risk***

Our credit risk arises from cash and cash equivalents, as well as credit exposures to receivables due from our customers, related parties and other parties and a note receivable due from PHOENIXi Investment Limited, an affiliate of our company which has been undergoing liquidation since October 2006.

We believe that there is no significant credit risk associated with the bank deposits, and cash and cash equivalents, which were held by reputable financial institutions in the jurisdictions where we are located. We believe that we are not exposed to unusual risks as these financial institutions have high credit quality.

We have no significant concentrations of credit risk with respect to our customers, except for the account receivable from China Mobile as discussed above. We assess the credit quality of, and set credit limits on our customers by taking into account their financial position, the availability of guarantees from third parties, their credit history and other factors such as current market conditions.

We have a note receivable due from PHOENIXi Investment Limited. We assessed impairment of the note receivable, taking into consideration the credit risk, and believe that the carrying value of the note approximates the realizable value upon the completion of PHOENIXi Investment Limited's liquidation process.

### ***Inflation Risk***

In recent years, inflation has not had a material impact on our results of operations. According to the National Bureau of Statistics of China the annual average percent changes in the consumer price index in China for 2008, 2009 and 2010 were an increase of 5.9%, a decrease of 0.7% and an increase of 3.3%, respectively. The year-over-year percent changes in the consumer price index for January 2009, 2010 and 2011 were increases of 1.0%, 1.5% and 4.9%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

### ***Interest Rate Risk***

We do not have any outstanding long-term or short-term loans. Our exposure to interest rate risk primarily relates to interest income generated by excess cash invested in bank deposits with original maturities of three months or less and time deposits with maturity terms of three months or more but less than one year. If we borrow money in future periods, we may be exposed to interest rate risk related to interest expenses incurred by any short-term or long-term bank borrowings. We have not used any derivative financial instruments to manage our interest risk exposure. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. However, our future interest income may be lower than expected due to changes in market interest rates.

### ***Foreign Exchange Risk***

Our operating transactions are denominated in RMB and our assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. The value of the RMB is subject to changes in the Chinese central government's policies and to international economic and political developments. In China, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China, or PBOC. Remittances in currencies other than RMB by us in China must be processed through PBOC or other Chinese foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance. Fluctuations between the U.S. dollar and the RMB did not materially

affect our results of operations or financial condition in 2008, 2009 or 2010 because a majority of our revenues and costs were denominated in RMB.

### **Recently Issued Accounting Standards**

Accounting Standard Update, or ASU 2010-20, issued in July 2010, enhances disclosures about the credit quality of financing receivables and the allowance for credit losses. The amendment requires an entity to provide a greater level of disaggregated information about the credit quality of its financing receivables and its allowance for credit losses. In addition, it requires disclosure of credit quality indicators, past due information, and modifications of its financing receivables. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. For nonpublic entities, the disclosures are effective for annual reporting periods ending on or after December 15, 2011. We are currently assessing the impact from the adoption of this update.

ASU 2010-13, issued in April 2010, provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. Earlier application is permitted. We are currently assessing the impact from the adoption of these amendments.

In January 2010, the FASB issued an accounting standard update on improving disclosures about fair value measurements. The updated guidance amends existing disclosure requirements by adding required disclosures about items transferring into and out of Levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchase, sales, issuances, and settlements relative to Level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. This update is effective for fiscal years beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which is effective beginning the first quarter of 2011. Since this standard impacts disclosure requirements only, we do not expect that the adoption of the standard will have a material impact on our consolidated results of operations or financial condition.

In December 2009, the FASB issued Consolidations—Improvements to Financial Reporting by Enterprises Involved with VIEs. The amendments in this accounting standards update replace the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and has (1) the obligation to absorb losses of the entity or (2) the right to receive financial interest in a variable interest entity. The amendments in this accounting standards update also require additional disclosures about a reporting entity's involvement in variable interest entities, in order to enhance the information provided to users of financial statements. The new requirements were effective on January 1, 2010. We have adopted the new requirements in the first quarter of 2010 and we do not expect that the adoption of the standard will have a material impact on our consolidated results of operations or financial conditions.

In October 2009, the FASB issued an accounting standard update on revenue recognition relating to multiple deliverable revenue arrangements. The fair value requirements of existing accounting guidance are modified by allowing the use of the "best estimate of selling price" in addition to vendor-

specific objective evidence, or VSOE and third-party evidence, or TPE for determining the selling price of a deliverable. A vendor is now required to use its best estimate of the selling price when VSOE or TPE of the selling price cannot be determined. In addition, the residual method of allocating arrangement consideration is no longer permitted. This update requires expanded qualitative and quantitative disclosure and is effective for fiscal years beginning on or after June 15, 2010 with early adoption permitted. We have early adopted this guidance through a retrospective application to all revenue arrangements for all periods presented in the financial statements.

In August 2009, the FASB issued guidance on Fair Value Measurements and Disclosures—Measuring Liabilities at Fair Value. The new guidance aims to provide clarification relating to the fair value measurement of liabilities, especially in circumstances where a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain prescribed techniques. Techniques highlighted included using 1) the quoted price of the identical liability when traded as an asset, 2) quoted prices for similar liabilities when traded as assets, or 3) another valuation technique that is consistent with the principles of fair value measurements. The new guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. Finally, the guidance clarifies that both a quoted price in an active market for the identical liability and the quoted price for the identical liability when traded as an asset in an active market when no adjustment to the quoted price of the asset are required are Level 1 fair value measurements. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In June 2009, the FASB issued authoritative guidance to eliminate the exception to consolidate a qualifying special-purpose entity, change the approach to determining the primary beneficiary of a variable interest entity and require companies to more frequently re-assess whether they must consolidate variable interest entities. Under the new guidance, the primary beneficiary of a variable interest entity is identified qualitatively as the enterprise that has both (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. The adoption of this guidance did not have material impact on our consolidated financial statements.

In June 2009, FASB issued ASC 105 which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. It is effective for the reporting period ending on September 30, 2009. The adoption of ASC 105 did not have any impact on our consolidated results of operations and financial condition.

In May 2009, the FASB issued guidance on subsequent events that establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this guidance provides (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of this guidance did not have any material impact on our consolidated financial statements.

In April 2009, the FASB issued guidance on recognition and presentation of other-than-temporary impairments. This guidance amends the other-than-temporary impairment guidance in U.S. GAAP for

debt securities to make the guidance more operational and to improve the presentation and disclosure of other than-temporary impairments on debt and equity securities in the financial statements. This guidance does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. This guidance is effective no later than periods ending after June 15, 2009. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In March 2008, the FASB issued revised guidance to expand disclosure requirements for derivative instruments and hedging activities. The guidance provides greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, the guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The guidance was effective to us beginning on January 1, 2009 and did not have a material impact on our consolidated financial statements.

In December 2007, the FASB issued revised guidance on accounting for business combinations and non-controlling interests. The guidance changes the accounting for and reporting of business combination transactions and non-controlling interests in consolidated financial statements. It requires changes in classification and presentation of minority interests in the consolidated balance sheets, statements of income, and statements of stockholders equity. The revised guidance was effective for our company beginning on January 1, 2009. The adoption of the guidance did not have a material impact on our consolidated financial statements.

## OUR INDUSTRY

Media convergence is characterized by the evolution of content formats and communications infrastructure toward providing consumers with ubiquitous access to content through multiple channels. This evolution has removed boundaries between traditional media channels and allowed consumers to choose the content they want to consume. For example, content which has historically been distributed through traditional media channels, such as print, film or broadcast television, is now increasingly available on demand through new media channels, such as Internet portals, online video sites, mobile Internet applications and digital reading services. Media convergence has also facilitated the creation of interactive media such as UGC. Users can access this universe of content through a growing range of Internet-enabled devices, including personal computers, smartphones and tablet PCs. As media convergence continues to evolve, new media platforms will provide consumers with easier access to more interactive content.

### **Media Convergence in China**

#### ***Prominence of Traditional Television and Print Media***

With their broad reach, traditional television and print media have historically been the primary outlets for news and information in China. The media industry is controlled by various levels of government in China with multi-level regulations resulting in fragmentation across regions and content categories. In China, the sole nationwide television broadcaster, CCTV, is owned by the central government, while the 31 satellite broadcasters, each with nationwide reach, are owned by various provincial governments. There are also over 300 local television stations operated by county or city governments. Each of these broadcasters operates a number of separate television channels. In the print media industry, it is estimated that there are over 2,200 newspapers in publication in China, the majority of which are distributed locally or provincially. Strict government regulations regarding ownership and licenses has resulted in the under-development of traditional media incumbents in China. Viewers in China are increasingly seeking innovative media content that can be consumed according to individual schedules and preferences. Television viewership, though still growing in China, is expected to be outpaced by the growth of other new media channels in the future.

#### ***Shift in Viewership toward New Media Channels***

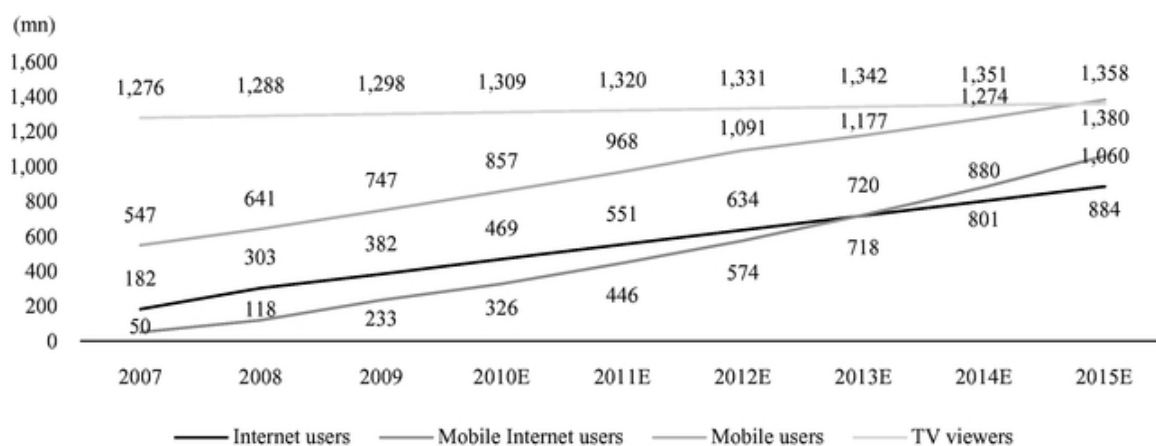
New media channels, including the Internet and mobile Internet, have gained increasing popularity relative to traditional television in China. According to a study by DCCI, a third-party research firm published in August 2010, television viewers in China are projected to grow at a modest CAGR of 0.8% between 2009 and 2015 to reach 1.4 billion viewers. In contrast, over the same period, the number of Internet and mobile Internet users in China are projected to grow at significantly faster CAGRs of 15.0% and 28.7%, respectively. The growth of these new media channels has been facilitated by increasing broadband penetration and the continued rollout of 3G mobile networks, as well as the development of advanced end user consumer devices.

According to CNNIC, in June 2008, China surpassed the United States as the largest Internet market in the world in terms of the number of users. As of December 2010, the Chinese Internet population reached approximately 457 million users according to CNNIC. Significant growth potential remains, as the Internet penetration rate was only 34.3% as of December 2010 in China compared to 77.3% as of June 2010 in the United States, according to ITU. With the expansion of broadband infrastructure in China and the increasing affluence of the urban population, media consumption through the Internet is expected to continue to grow in the coming years.

China also has the largest mobile user base in the world. DCCI projects that the number of mobile phone users reached 857 million and the number of mobile Internet users reached 326 million in China as of the end of 2010. By comparison, the number of mobile Internet users in the US numbered

approximately 78 million in 2010, according to eMarketer. DCCI projects that the number of mobile Internet users will exceed the number of Internet users in 2013 and the number of mobile phone users will exceed the number of television viewers in 2015 in China. The rapid growth rates of Internet and mobile Internet usage demonstrate the migration of viewers from traditional television toward new media in China.

**Number of End Users in China by Media Interfaces**



Source: DCCI, August 2010

Advanced mobile devices, such as smartphones and tablet PCs, are playing an increasingly important role in the distribution of media content. Continued development of 3G infrastructure in China will provide further growth potential for the mobile Internet market. The user-friendly mobile operating systems of smartphones and other advanced mobile devices, provide an Internet experience similar to that on a personal computer, which facilitates the popularity of mobile Internet applications such as mobile browsers, digital newspapers, and e-books among others. In addition, demand for premium content will also be driven by device manufacturers which are continuously seeking unique media content to differentiate the user experience of their media devices. In order to fully leverage the increasing computing power of smartphones and other mobile devices, developers have created a large universe of mobile applications to fulfill growing user requirements. The emergence of mobile application stores also provides direct channels for developers to distribute mobile applications. According to a Gartner report, "Forecast: Mobile Application Stores, Worldwide, 2008-2014," issued in December 2010, global mobile application downloads are projected to grow at a CAGR of 131% from 2008 to 2014 to reach 76.1 billion annual downloads in 2014. The proliferation of such applications will make mobile devices an increasingly popular platform through which to consume media content.

### **Emergence of New Media Companies**

With the rapid adoption of the Internet, a large number of new media companies have emerged in China, such as Internet portals, online video companies, and social networking companies. A number of major traditional television broadcasters in China have developed affiliated Internet platforms to distribute content. These websites offer access to traditional media content, but often lack large-scale internet operations and are typically limited in content scope, strong capabilities in user interactivity associated with new media channels. At the same time, early new media content aggregators, such as Internet portals, are increasingly adding additional channels, including video and mobile applications, to their product offerings. These content aggregators, however, often lack access to unique professional content compared with traditional media outlets. All new media companies in China have relatively short operating histories and the trends of media convergence are in the early stages of development.

As the new media industry continues to develop, we believe premium new media brands will be increasingly associated with on-demand access to distinctive and professionally produced, differentiated content in China.

### ***Increasing Demand for Professionally Produced New Media Content***

The increasing availability and accessibility of interactive media content is driving further growth in new media viewership versus traditional media in China. Demand for professionally created premium content on new media channels will continue to grow as users seek the same quality user experience offered by top-tier traditional television. For example, according to the iResearch Consulting Group, or iResearch, the size of the online video audience in China is expected to increase from 234 million in 2008 to 527 million in 2012, representing a CAGR of 22.5%. In China, demand for premium content from new media distribution platforms is increasing. Several online video companies are spending significant amounts on acquisition of professionally produced content, with a particular focus on acquisition of long-form entertainment related videos.

Among the universe of content available online, real-time news, commentary and documentaries are particularly designed by users, especially the highly educated user segments. Demand among viewers for news content is demonstrated by the television advertising rates for news programs. For example, the highest ad rate for all programs in CCTV's annual auction for advertising timeslots in 2010 was for "The Evening News" program. Within China's media industry, all content is subject to oversight by the government, particularly news and commentary. Traditional television and newspapers have historically been the primary sources of news for the general population. Media convergence has now allowed users to access a greater quantity of news content on demand through a broad range of channels. Despite the proliferation of content, however, the new media industry is still nearly homogenous with content largely sourced from a limited number of sources. At the same time, a number of technology-focused new media companies have developed in China which provide advanced access to media but which often lack the expertise to produce high quality professional content. A clear market need exists among high end users in China who seek unique and differentiated news content produced and edited to high standards. Premium new media brands in China are increasingly associated with on-demand access to distinctive and relevant content.

The proliferation of content through new media channels in China has also increased the need among users for trusted media sources to help navigate the broad universe of content available. This is particularly relevant for news content where accuracy, timeliness and depth of coverage are critical for users who increasingly have limited time to search for news. Within the fragmented media industry in China, many new media services have increasingly resorted to sensationalism and tabloid journalism to attract viewership. As a result, authoritative and credible news sources will increasingly have competitive advantages in attracting high-end users as well as major advertisers.

### ***Significance of User Segmentation***

The shift in media consumption from traditional media to Internet and mobile channels in China is creating large new audiences, as evidenced by DCCI estimates of 551 million Internet users and 446 million mobile Internet users in China in 2011. These users encompass a broad demographic range across age, education and income levels. The size and diversity of the Internet user base in China create a greater need for targeted content.

Many new media companies, such as Internet portals, have historically adopted broad content strategies to reach mass market audiences. The increasing size of the Internet population in China allows for greater segmentation of the user population. According to CNNIC, 28.4% of China's internet user population was younger than 20 years old as of December 2010. Given the large percentage of youth among China's Internet population, the ability to target the high income, metropolitan



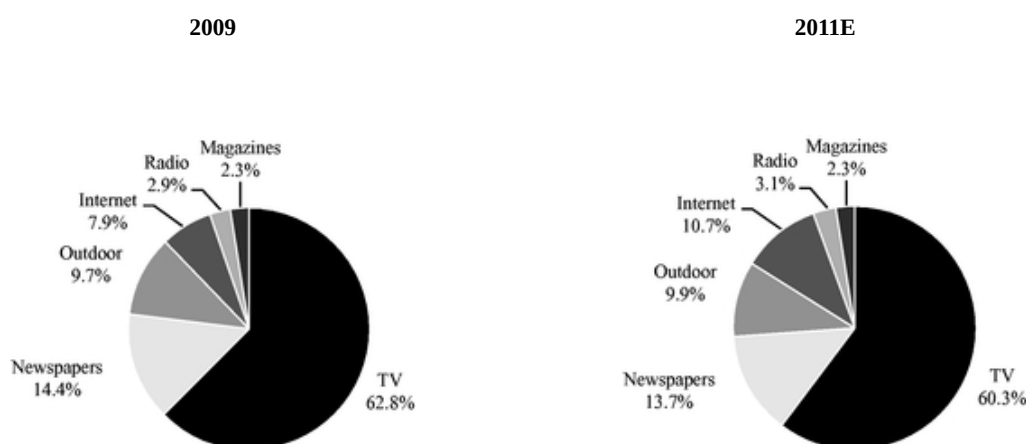
professional user segments is increasingly valuable. The ability to segment and target these users audiences provides advertisers with greater returns on advertising campaigns by ensuring higher exposure among key demographics.

## Revenue Opportunities in New Media

### Advertising

*Advertising Growth in China.* According to GroupM, China had the third largest advertising market in the world in 2009, with a market size of approximately US\$40 billion. This is compared with the US, which was the largest advertising market in 2009, with US\$141 billion in major media spending. China's advertising market still has significant growth potential, as advertising expenditure as a percentage of GDP was only 0.8% in 2009, compared to 1.0% in the US, according to GroupM. The growth in China's overall advertising market is expected to significantly outpace that of more developed countries, with a CAGR of 11.7% forecast from 2009 to 2011, according to GroupM. The shift in media viewership in China as a result of media convergence is reflected in similar trends in the advertising industry; the allocation of ad spending between media channels is shifting gradually to the Internet, especially from traditional media. The following chart sets forth the breakdowns of advertising expenditures by media format in China for 2009 and 2011.

Share of Advertising Spending by Medium



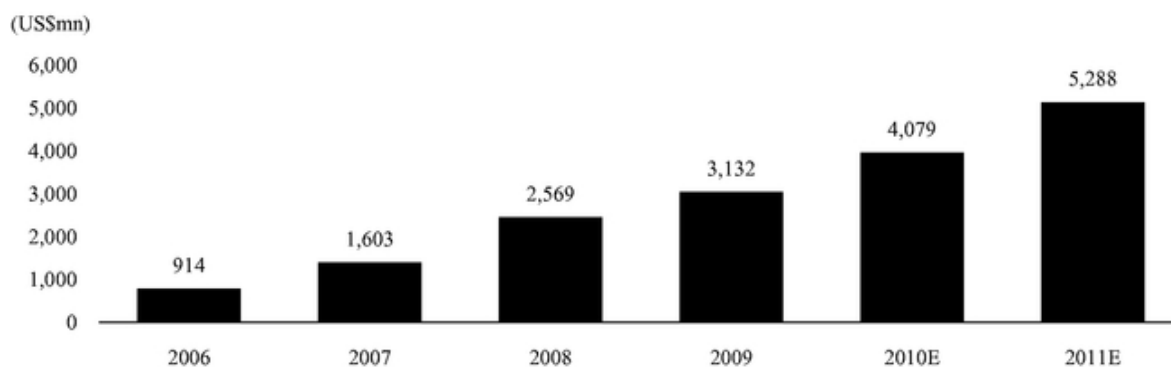
Source: GroupM, Autumn 2010

*New Media Advertising Growth.* The Internet continues to gain acceptance as an evolving medium for entertainment, commerce and communication, leading to significant increases in Internet advertising expenditures in China. According to GroupM, Internet advertising expenditures in China grew from US\$60 million in 2001 to US\$3.1 billion in 2009, representing a CAGR of 63.9%.

The Internet overcomes many limitations of traditional media advertising by enabling significantly greater interactivity, targeting capabilities and measurement of results. As advertisers become more educated about Internet advertising, they increasingly search for options that not only maximize their reach, but also increase the effectiveness of their advertising. Advertisers seek to reach their target users directly and precisely by eliminating wasted impressions. The Internet permits advertisers to measure precisely the number of impressions, or times that an advertisement appears in page views downloaded by users. As a result, advertisers are expected to allocate an increasing percentage of their

overall advertising budget to online media versus traditional media. The following graph sets forth Internet advertising expenditures in China from 2006 to 2011.

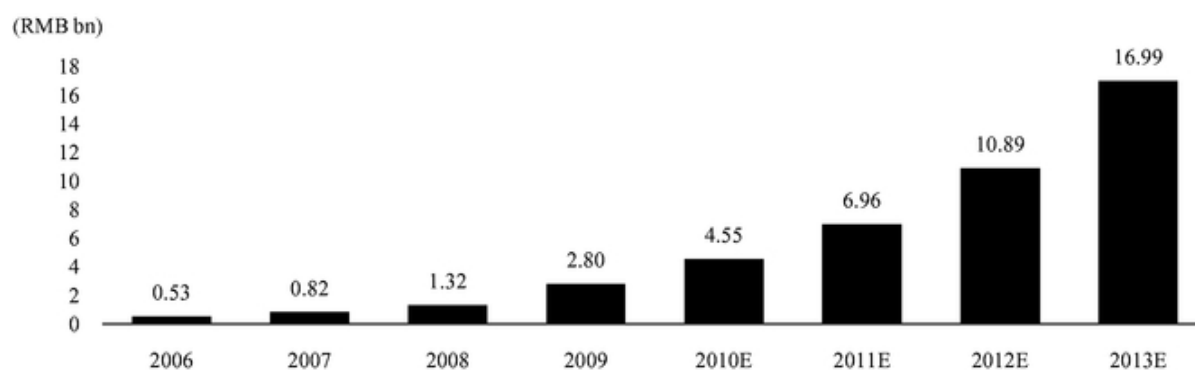
#### Internet Advertising Expenditures in China



Source: GroupM, Autumn 2010

Online video is the fastest growing segment among the various segments of the Internet advertising market, because it offers brand advertisers an effective and compelling online branding solution beyond simple, static display advertisements. According to iResearch, the online video segment had a CAGR of 74% from 2006 to 2009, compared to a CAGR of 51% for the Internet advertising segment over the same period according to GroupM.

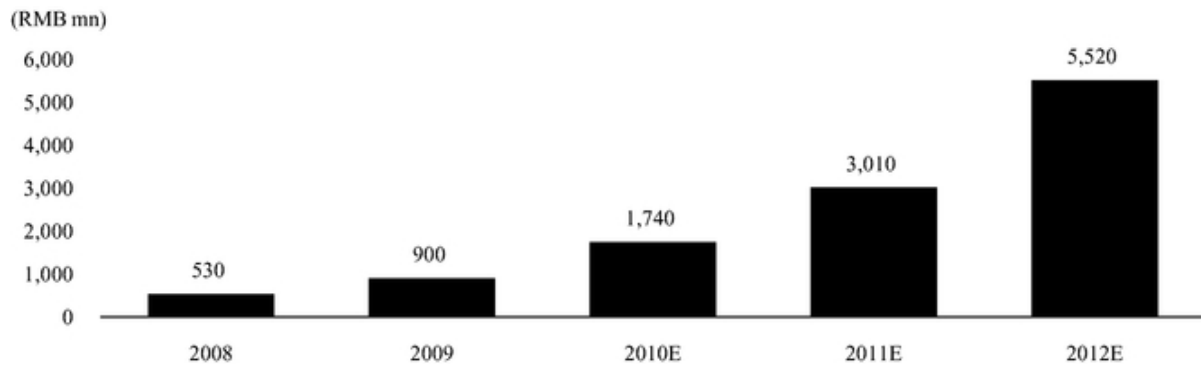
#### Size of the Online Video Market in China



Source: China Online Video Research Report 2009-2010, iResearch

Mobile advertising in China is at an early stage and the market size is still relatively small. Mobile internet adoption is increasing rapidly and monetization models of mobile internet traffic are continuously evolving. With the high mobile penetration rate in China and improved infrastructure, mobile advertising is expected to take off with a significant growth rate. According to iResearch, China's mobile advertising market is projected to grow from RMB900 million in 2009 to RMB5.5 billion in 2012, representing a CAGR of 83.0%, outpacing the growth of general Internet advertising market during the same period.

### Size of the Mobile Advertising Market in China



Source: China Mobile Advertising Analysis Report 2009-2010, iResearch

#### **Paid Content Services**

In addition to advertising growth, media convergence in China has supported the emergence of paid content services. Media convergence provides a means for delivering a wide range of content through multiple channels directly to consumers. At the same time, users can increasingly access content on demand as opposed to on set time schedules with traditional media. Media convergence has expanded the breadth of content available to consumers and, accordingly, has increased the value placed on unique and differentiated content. New media companies with differentiated content and engaged user bases are not only able to attract more advertising dollars, but are also able to diversify the revenue streams through paid content services.

The real-time nature of news media is ideally suited to the on-demand capability provided by media convergence. Users in China are increasingly utilizing the Internet to search for and consume timely news and news commentary. According to CNNIC, the amount of time users spend online continues to grow, with users spending an average of 19.8 hours per week on the Internet in the first half of 2010, compared to 18.7 hours per week in the second half of 2009. Reading news is the second most popular Internet activity among Chinese users, with a 78.5% penetration rate, just behind listening to music. China's increasingly affluent urban population is increasingly willing to pay for on demand access to relevant news and commentary.

Growth trends in mobile Internet and advancements in mobile technology have facilitated greater adoption of mobile applications and fostered the growth of a digital reading market in China. Publishers now have expanded channels for content distribution and additional means for monetization, such as mobile newspapers, which is a digital reading product that allows users to read periodicals on their mobile devices. According to Enfodesk, the market size of mobile digital reading in China was RMB799 million in the third quarter of 2010, representing a growth rate of 17.6% from the second quarter of 2010. The mobile newspaper industry in China reached an inflection point in 2010, and its market size was estimated to be RMB585 million in the third quarter of 2010 according to Enfodesk.

## BUSINESS

### Overview

We are the leading new media company providing premium content on an integrated platform across Internet, mobile and TV channels in China. Having originated from a leading global Chinese language TV network based in Hong Kong, Phoenix TV, we enable consumers to access professional news and other quality information and share user-generated content, or UGC, on the Internet and through their mobile devices. We also transmit our UGC and in-house produced content to TV viewers primarily through Phoenix TV. Our ifeng.com website ranked number one in terms of page views, or PV, among the world's leading TV companies' websites, including CNN.com, BBC.co.uk, and CNTV.cn, in March 2011 according to Alexa.com, a third-party web information company, and ranked 8<sup>th</sup> among all Chinese websites in terms of PV in December 2010, according to Google Ad Planner. We had 222 million online monthly unique visitors in March 2011, and according to the iResearch Report, our online users' average monthly income was over four times that of the average Internet user in China in November 2010. Leveraging our coveted user demographic and influential brand, we have established a high-growth and profitable business model with diversified revenue streams from both advertising and paid services.

We provide journalism with balanced perspectives, global news coverage, investigative reports and in-depth analysis of events in compelling presentation formats. Our news vertical has been ranked number one in terms of PV compared to news verticals of Chinese Internet portals since July 2010 by Alexa.com. We possess strong capabilities in sourcing and editing content, as well as in original production. Our content library is enriched by our exclusive license to use Phoenix TV's copyrighted content and is enhanced by the interactive contribution from our users through UGC. We believe that the high quality of our content distinguishes us within the new media industry in China. Our quality content has served to attract a large user base, as evidenced by the 311 million average daily online PV and 88 million average daily mobile PV that our platform received in March 2011. We believe the premium nature of our content is further demonstrated by ifeng.com's high number of page views per unit visitor, or PV/UV, which was higher than the PV/UV of any major Chinese Internet portal in November 2010 according to the iResearch Report, and its high level of daily time on site per user, which was significantly greater than that of the leading Chinese online video websites in March 2011 according to Alexa.com.

Our brand, "ifeng.com" (鳳凰網), has achieved prominence among Chinese Internet users. We were recognized as the "Most Valuable Chinese Internet Brand" at the Chinese Internet Advertisers Annual Convention in October 2010. The appeal of our brand is enhanced by its affiliation with the "Phoenix" (鳳凰) brand of Phoenix TV. In Chinese culture, the Chinese Phoenix is an auspicious mythical bird that symbolizes unrivaled excellence. Benefiting from China's "open and reform" policy, Phoenix TV has been a driving force in China's media reform and its programs are highly popular in China, as evidenced by the Phoenix Chinese Channel's thirteenth consecutive semi-annual first place ranking for audience appreciation since 2004 by CTR Market Research, a joint venture between China International TV Corporation and TNS Global Market Research. Our and Phoenix TV's active promotion of one another's brands on our respective Internet-enabled and TV platforms helps to grow our combined audience synergistically.

Our distinguished content, attractive user base and diverse product lines provide us with multiple opportunities for monetization in both advertising and paid services. We derived 38.7% and 61.3% of our total revenues from advertising and paid services, respectively, in 2010. We recognize our advertising revenues on a net basis and generate them by providing advertising services through our online and video channels primarily and, to a small extent at present, through our mobile channel. Driven by the growing number of premium brand advertisers that we have attracted across a wide range of industries, our net advertising revenues grew at rates of 102.8% from 2008 to 2009, and

150.4% from 2009 to 2010. We offer a variety of paid services through all of our channels, including (i) mobile Internet and value-added services, or MIVAS, which includes our digital reading services, mobile game services and wireless value-added services, or WVAS, such as messaging-based services (SMS and MMS); (ii) video value-added services, or video VAS, which consists of our online subscription and pay-per-view video services, our mobile subscription and pay-per-view video services and video content sales and (iii) Internet value-added services, or Internet VAS. We primarily generate our paid service revenues from our WVAS, digital reading services and mobile subscription and pay-per-view video services by providing content to mobile device users and collecting revenue shares or fixed fees for our content services from the relevant mobile operators. We also earn a significant amount of paid service revenues in the form of fixed fees from China Mobile for our digital reading services. These offerings have driven the growth of our paid service users from 6.4 million users as of March 31, 2010 to 10.1 million users as of March 31, 2011, representing a growth rate of 57.0%.

In 2008, 2009 and 2010, we generated revenues of RMB222.6 million, RMB262.3 million and RMB528.7 million (US\$80.1 million), respectively, representing a CAGR of 54.1%. Our net advertising revenues were RMB40.3 million, RMB81.6 million and RMB204.4 million (US\$31.0 million) in 2008, 2009 and 2010, respectively, representing a CAGR of 125.3%, and our paid service revenues were RMB182.4 million, RMB180.7 million and RMB324.3 million (US\$49.1 million) in 2008, 2009 and 2010, respectively, representing a CAGR of 33.4%. We incurred a net loss attributable to Phoenix New Media Limited of RMB28.2 million in 2008. We achieved a net income attributable to Phoenix New Media Limited of RMB0.3 million and RMB74.1 million (US\$11.2 million) in 2009 and 2010, respectively. Adjusted net income attributable to Phoenix New Media Limited, a non-GAAP financial measure which excludes share-based compensation expenses, was RMB1.8 million, RMB10.5 million and RMB90.6 million (US\$13.7 million) in 2008, 2009 and 2010, respectively.

### **Our Relationship with Phoenix TV**

We have a mutually beneficial relationship with our majority shareholder, Phoenix TV, the leading Hong Kong-based satellite TV network broadcasting Chinese language content globally and into China. We and Phoenix TV share a common vision of the convergence of traditional and new media channels, and work together to realize this vision. While we furnish Phoenix TV with access to our new media delivery channels, Phoenix TV enables us to display our proprietary content on its TV programs. Phoenix Satellite Television Company Limited has also granted each of our affiliated entities an exclusive license to use its content on our Internet and mobile channels in China. Our and Phoenix TV's active promotion of one another's brands on our respective Internet-enabled and TV platforms helps to grow our combined audience synergistically.

### **Our Strengths**

We believe that the following strengths give us a competitive advantage and set us apart from our competitors:

#### ***Integrated delivery platform capitalizing on media convergence***

We are well positioned at the forefront of media convergence, offering quality media content and interactive services across Internet, mobile and TV channels. We are the dominant leader among Chinese new media companies originated from traditional media companies. Our ifeng.com website ranked number one in terms of PV among the world's leading TV companies' websites, including CNN.com, BBC.co.uk and CNTV.cn, in March 2011 according to Alexa.com, and ranked 8<sup>th</sup> among all Chinese websites in terms of PV in December 2010 according to Google Ad Planner. We have also developed a strong mobile channel. Our mobile website, 3g.ifeng.com received 88 million average daily PV in December 2010, and we have developed a variety of mobile Internet services and applications, as part of our MIVAS business, which are compatible with a wide range of mobile handsets and operating

systems. The average daily PV of ifeng.com grew 165.8% from 117 million in March 2010 to 311 million in March 2011, and the average daily PV of 3g.ifeng.com grew 341.2% from 20 million in March 2010 to 88 million in March 2011. Our strong position in media convergence is enhanced by our strategic relationship with Phoenix TV. Our relationship with Phoenix TV is self-reinforcing. While Phoenix TV enjoys access, unmatched among TV broadcasters, to a top-ranked Chinese new media platform, we receive stalwart support from a leading Chinese traditional media provider, which is unrivalled among major Chinese Internet companies.

Our convergence model offers us several key competitive advantages:

- enables us, in an age of highly fragmented media consumption, to provide seamless delivery of our branded content and services to our users anytime and anywhere;
- allows us to present a compelling value proposition to advertisers, offering them the ability to simultaneously release Internet and video campaigns, expected to be increasingly extended to mobile in the future;
- enables us to offer a large variety of paid services on our multiple channels, opening up avenues for increased revenue generation;
- furnishes us with a powerful marketing tool by enabling us to engage in cross-promotional activities to market our own brand and services;
- provides us with an integrated organizational structure which supports operational efficiency; and
- enables us to realize cost synergies in content sourcing and production, marketing and sales and technology infrastructure.

***Premium, differentiated and diverse professional content***

We provide journalism with balanced perspectives, real-time global news coverage, investigative reports and in-depth analysis of events in compelling presentation formats. Our content is timely, comprehensive and covers a wide spectrum of interest-based verticals, including news, finance, automobiles, entertainment, fashion, military affairs, history, commentary, real estate, digital books, philanthropy and buddhism, among others. We have a rich content portfolio, which is distinguished by its combination of selected third-party professional content, Phoenix TV content, our original in-house produced content and UGC. Our individual content channels have been noted for their excellence. For example, our news channel has been ranked number one since July 2010 by Alexa.com. We believe that we have provided the earliest video among Chinese media companies of certain major world events, such as the Philippine bus hijacking of Hong Kong tourists in August 2010 and the earthquake in Japan in March 2011. We believe the premium nature of our content is evidenced by ifeng.com's high number of PV/UV, which was higher than the PV/UV of any major Chinese Internet portal in November 2010, according to the iResearch Report, and its high level of daily time on site per user, which was significantly greater than that of the leading Chinese online video websites in March 2011, according to Alexa.com.

We believe that our content editing and production capabilities are unique among new media companies in China. We edit our video content, primarily consisting of news, documentaries and interviews, into short and well-organized clips, which facilitate easy indexing, searching and convenient consumption on multiple Internet-enabled devices. Our focus on short clips increases advertisement exposure frequency on our platform and requires relatively low bandwidth cost. According to the iResearch Report, our speed and effectiveness was the most highly recognized among all major Chinese Internet companies in November 2010. Beyond distributing a large amount of news and information in a timely fashion, we provide independent social commentary and analyses, encourage debate on socio-political issues and believe that we deliver an unbiased voice and real value to our users. The iResearch

Report's data from November 2010 indicates that users choose our platform due to our objective viewpoints and original opinions.

### ***Leading and influential brand***

Our brand, ifeng.com ( 鳳凰網 ) has achieved prominence among Chinese Internet users. We were recognized as the "most Valuable Chinese Internet Brand" at the Chinese Internet Advertisers Annual Convention in October 2010. Our strong brand is a powerful asset, serving to attract users, increase user stickiness and secure a diverse range of brand advertisers. We believe that the essence of our brand is best expressed by our four corporate tenets: "roots in Chinese culture, global perspective, openness to the world, a progressive force." According to the iResearch Report's data from November 2010, most Chinese Internet users associate our brand with international perspectives, independence, reliability, timeliness and objectivity relative to the brands of other major Chinese media companies. The appeal of our brand is enhanced by its affiliation with the "Phoenix" ( 鳳凰 ) brand of Phoenix TV. Benefiting from China's "open and reform" policy, Phoenix TV has been a driving force in China's media reform and has become highly popular in China. On the international stage, Phoenix TV won the "People's Choice" award at the Association of International Broadcasting's 2010 international media excellence awards over BBC, Sky Television and other contenders. In China's fragmented media industry, which is characterized by largely undifferentiated media content, we believe our strong brand recognition is a testament to the quality and integrity of the content we offer.

### ***Highly educated, affluent and engaged user base***

We view our highly educated, affluent and engaged user base as one of our most important assets. We successfully target China's mid- to high-end Internet users and had more than 220 million online monthly unique visitors, 311 million average daily online PV and 88 million average daily mobile PV, each in March 2011. Compared to the general Chinese Internet population, our user base is more mature (86.6% at the age of 25 or above, compared to 56.9% generally), more affluent (average individual income of RMB7,302 per month, compared to RMB1,760 generally) and more highly educated (62.9% with four-year college degrees or above, compared to 11.3% generally), according to November 2010 data from the iResearch Report. We are also particularly successful at attracting elite Chinese users, including thought leaders and decision-makers. We were named "Favorite Online Media of Asia Pacific CEOs & Provincial Governors and Mayors" by the Asia Pacific Association in December 2008. We believe that our premium user base is attractive to advertisers who seek an effective means for reaching this highly coveted demographic. Our user base is also receptive to paid service offerings, as evidenced by our video channel's popularity among China Mobile's video channels in terms of monthly unique visitors since April 2010.

### ***Unique value proposition for blue chip advertisers***

The combination of our attractive user base, differentiated and premium content, integrated cross-channel platform and superior brand influence provides a high-impact value proposition for blue chip advertisers. We had 222 million online monthly unique visitors in March 2011, and according to the iResearch Report, our users' average monthly income was over four times that of the average Internet user in China in November 2010. Our highly educated and affluent users represents a highly coveted consumer segment, and our ability to target this audience directly enables us to attract a broad range of blue chip advertisers. We leverage our integrated new media platform, which spans multiple new media channels, to provide a variety of integrated advertising solutions, including online advertisements, online video advertisements, mobile advertisements, user activities, live promotions and cross-media public relations campaigns. Furthermore, we believe that the strength of our premium brand provides strategic benefits and credibility to our advertisers and distinguishes our value proposition to brand advertisers. The breadth and diversification of our advertiser base is represented by renowned international brands,

such as IBM, Mercedes Benz and Motorola, and domestic brands, such as Air China, Lenovo and Bank of Communications. The executed contract amount for our top 5 and top 10 advertisers accounted for only 16.5% and 25.1%, respectively, of our total executed advertising contract amount in 2010.

### ***Robust and scalable integrated technology systems***

We possess robust and scalable content management and delivery systems for our Internet and mobile channels. Our proprietary content management system enables us to quickly organize, edit and deliver our vast quantity of multi-media content. We have made significant investments in our network infrastructure and technology to ensure seamless content and service delivery and an optimal user experience. In addition, we have an intelligent system for cross-promoting our text, image and video content based on content relevance and user preference across our integrated platform. Our strength in online content management is evidenced by our engagement with the leading Chinese broadcasting technology company to sell our proprietary content management system to regional TV stations in China. We also possess strong capabilities for developing mobile applications that are compatible with a variety of mobile operating systems and distributing them through an array of wireless device manufacturers and application stores.

### ***Strong management team with extensive media and Internet expertise***

Our strong management team possesses extensive experience in the media and Internet sectors. Since his appointment as our chief executive officer in 2005, Shuang Liu, together with the rest of the management team, has successfully transformed our company from a corporate website of Phoenix TV into a leading new media company in China. During this period, Mr. Liu redefined our business strategy, rebuilt the core management team and instilled a strong sense of entrepreneurship and results-driven execution into our corporate culture. Prior to joining us, Mr. Liu served as a vice president of Phoenix TV, where he was actively involved in its major strategic developments, leveraging his previous extensive experience in the media industry on Wall Street as a corporate attorney. Our chief operating officer, Ya Li, who joined us in 2006, is a seasoned entrepreneur with over 15 years of experience in the Internet industry, and has founded two successful Internet start-up companies. Our senior management team possesses significant international corporate work experience, which we believe, in combination with their deep understanding of the fast changing Chinese media and Internet industries, is a strong competitive advantage that will allow us to continue to deliver value to our shareholders.

### **Strategies**

Our mission is to be the premier new media company in China empowering our users with premium content and services through all Internet-enabled devices.

### ***Expand and enrich our content offerings***

We intend to further enrich the content delivered through our integrated platform by increasing the breadth and depth of our content. In particular, we intend to broaden our content offerings, especially in finance, technology, fashion, education, lifestyle and real estate. We intend to enhance our in-house content production, especially in video content, and further improve our database-driven applications and services. We also plan to strengthen our relationships with existing content providers, and form new content partnerships to acquire quality content catering to the interests of our targeted user base. We believe that user-generated and user-organized content are powerful means for building user engagement and we will continue to focus on developing new interactive services to encourage more active creation of UGC on our platform.



***Increase our marketing activities to continue to capture a greater audience***

In addition to continuing to attract users with our distinguished content, we intend to undertake more targeted marketing initiatives to continue to grow our premium user base. We plan to strengthen cross-promotional arrangements and partnerships with other Internet, technology and media companies, such as social networking sites, search engines, instant messaging service providers, vertical or regional portals, PC and mobile software application providers and select print and TV media companies, to expand our user base, increase our user stickiness, and further enhance our brand recognition. We plan to strengthen our brand through cross-channel and offline event marketing efforts. We will also continue to cooperate with mobile device manufacturers for pre-installations of our mobile applications in order to facilitate user access to these product offerings.

***Further monetize our service offerings***

Online advertising is the fastest growing segment of the advertising industry in China. We intend to capitalize on this growth through continued innovation in the advertising services we provide to our clients. As a leader in the new media industry, we are well positioned to promote our integrated advertising services across our Internet, mobile and video channels. We plan to enhance our existing online advertising sales, grow our online video advertising sales, and build up our mobile advertising business. We also intend to expand our advertising strategy, advertising solution and creative design, direct sales and customer service teams and improve our dialogue with advertisers and agencies. Moreover, we plan to continue to enhance our advertising serving and data analytics systems to better track the effectiveness and return on investment of our clients' advertisements.

We also intend to increase our paid subscriptions through continued introduction of attractive and high quality content services. For example, we are further refining and broadening our cross-platform digital reading service, which offers books, magazines, book reviews and best-seller lists, and pursuing business opportunities in audio products, in order to increase our ARPU. We also plan to deepen our relationships with mobile operators in order to market our mobile video and digital vending services. We believe that our existing well-educated, affluent and engaged user base provides a receptive audience for increasing our number of paid subscriptions.

***Enhance our product offerings and technology platform***

We plan to develop new applications, add-on products, functions and features in order to improve our user experience and increase our user stickiness. Building on our strong capability for developing applications compatible with a variety of mobile operating systems and distributing them through an array of mobile device manufacturers and application stores, we intend to drive more product innovation across mobile operating systems and devices to increase our penetration among mobile device users. We also plan to make additional investments in our technology infrastructure. We intend to strengthen our product research and development capabilities to increase our platforms' delivery speed and enhance our user experience. We plan to enhance our content delivery network, or CDN platform and continue to procure Internet bandwidth in a cost-effective manner to accommodate our growing user base and user traffic. We are also undertaking an initiative to develop a two-way content transmission system to enable us and Phoenix TV to expedite our mutual content transmission and exchange.

***Pursue strategic partnerships and acquisitions***

Leveraging on our premium brand and attractive user base, we intend to selectively pursue business partnerships or acquisitions of businesses whose user base, content, products or distribution channels are complementary with ours. We believe potential strategic partnerships and acquisitions may enhance our competitive advantages and enable us to further strengthen our leading position in cross-platform provision of new media in China.

## Our Content

We strive to deliver the most up-to-date, in-depth, exclusive and thought-provoking content to our users. Content selection, editing and production are core focuses of our business. Our users choose our platform because of our clear viewpoints, original opinions, international perspective and sense of social responsibility, according to the iResearch Report's data from November 2010, and this, we believe, reflects the distinct strengths of our content production process. Basing our selections on objectivity, reliability, originality, diversity and reputability, we obtain our content from four sources: third-party professional media companies, Phoenix TV, our in-house production and UGC. The content we acquire covers a wide spectrum of user-targeted subjects, including news, current affairs, finance, technology, automobiles and real estate, among others. We believe that we have provided the earliest video and text media coverage among Chinese media companies of certain major world events, such as the Philippine bus hijacking of Hong Kong tourists in August 2010 and the earthquake in Japan in March 2011, which we believe further distinguishes our content from that of our peers. We also possessed exclusive access in China to live coverage of President Obama's inaugural speech, which we provided to our users and sublicensed to other online video providers in China. In addition, we are uniquely positioned among our peers in China to be able to distribute our content on TV. We feed a substantial amount of in-house produced content and UGC to a number of Phoenix TV's regular prime-time programs each day. We also provide our in-house produced content and UGC to Chinese TV networks, such as CCTV and Hunan TV, from time to time.

*Third-Party Professional Content.* We believe that the quality and breadth of our third-party professional content contributes to the authoritative nature of our content. We have entered into content licensing agreements with approximately 480 professional content providers in aggregate. We obtain our print content from major Chinese print media and news wires and selected international sources. Our Chinese content sources include companies such as China News Service, 21<sup>st</sup> Century News Group and the Shanghai Business Daily, as well as China's top ten image providers, and we believe that we have fostered strong relationships with these parties. Our international sources include Reuters, The Associated Press and Agence France Presse, among others. The video content we source from third parties is primarily comprised of news and documentaries, which cater to our users' preferences and serve to differentiate our video content portfolio from those of other Chinese online video providers. We obtain our third-party video content from major Chinese television broadcasters, such as CCTV, Zhejiang Satellite TV and Beijing Satellite TV. The content that we source from professional third parties comprises the majority of the content on our website.

*Phoenix TV Content.* Phoenix Satellite Television Company Limited, a wholly owned subsidiary of Phoenix TV, has granted each of our affiliated consolidated entities an exclusive license effective until March 2016 to use its copyrighted content on our Internet and mobile channels in China, pursuant to the Content License Agreements. All of the content we obtain from Phoenix TV is video content. Since Phoenix TV's satellite landing rights in China, outside of Guangdong Province, are limited to international residences and hotels, our integrated platform provides a convenient alternative means for people in China to view Phoenix TV's programs. The content we obtain from Phoenix TV mainly consists of news and investigatory programs, historical documentaries and talk shows hosted by its celebrity TV anchors. We offer live streaming broadcasts of the Phoenix Chinese Channel and the Phoenix NewsInfo Channel on ifeng.com, and deliver updated clips from a broad range of Phoenix TV's programs on both our Internet and mobile channels. We are also able to leverage Phoenix Satellite's global media resources, particularly for our news and finance channels.

*Self-developed content.* We produce investigative reports, exclusive video programs and event-based coverage in-house, which we believe enhance the distinct character of the "ifeng" ( 鳳凰網 ) platform. Our investigative reports have provided China's first in-depth coverage of certain controversial current events and received broad recognition and awards. We frequently conduct

interviews with government officials, thought leaders, celebrities and other compelling public figures. Our "Real Talk" ( **非常道** ) program, which features candid video interviews with celebrities, has become one of the most well-known online entertainment programs in China. Our in-house programs explore progressive topics, such as our 36 episodes of interviews and talk shows about gays and lesbians in China ( **同性相连** ), which was widely reported on by the domestic and international media. We believe that we are one of the forerunners in online video production in China, having created over 50 episodes of Y.E.A.H., which we believe was the first major online Chinese drama series. We also host a series of large-scale "offline" events to promote user interaction, such as "Faith in Love" ( **相信爱情** ) and "Forever Happiness" ( **美丽童行** ) and post print coverage of such events on our ifeng.com channel. In addition, we have provided coverage on hundreds of conferences and forums in China, including the World Economic Forum and the Boao Forum for Asia. We transmit a considerable amount of our in-house produced content to Phoenix TV on a frequent basis and to certain Chinese TV networks from time to time.

*UGC.* UGC adds an important interactive component to the content we deliver. We generate text UGC through our discussion forum, blog, micro-blog, comment-posting and user survey services. We believe that our UGC is particularly valuable because of the premium quality of our user base. For example, our blog vertical contains the writings of prominent Chinese thought leaders and writers, and Phoenix TV's celebrity anchors. We feed a substantial amount of UGC from our discussion forums, surveys, micro-blogs, and comment postings to Phoenix TV on a daily basis for display on a number of its regular TV programs.

### ***Content Editing and Production***

Content editing and production are critical components of our content production process. Our strength in these areas is built upon our independent viewpoints, broad perspectives and emphasis on socially responsible journalism, all of which are deeply instilled in our corporate culture and continuously guided by the oversight of our management team.

We had a team of 339 editors as of March 31, 2011 organized generally by interest-based vertical. We believe that we possess a strong ability to select and distill compelling news stories and frame issues for our users in a distinctive way. We edit our videos, primarily consisting of news, documentaries and interviews, into short clips that are typically less than five minutes in length. Such short clips are not only well suited for convenient consumption by providing salient information to our busy users, but also allow for increased advertisement exposure frequency and incur relatively low bandwidth costs. According to the iResearch Report's November 2010 data, our speed and effectiveness are the most highly recognized among all major Chinese Internet companies. Beyond distributing a large amount of news and information in a timely fashion, we provide independent social commentary and analyses, encourage debate on socio-political issues and believe that we deliver an unbiased voice and real value to our users. The iResearch Report's November 2010 data indicates that users choose our platform due to our objective viewpoints and original opinions.

We believe that our production capabilities are unique among new media companies in China. We organize our content by interest-based vertical and segment it further by featured topic. For example, we place our interviews with celebrities on our entertainment vertical and further categorize the clips by specific discussion topic, enabling our users to conveniently click on their topic of interest. Another strong example of our production capabilities, our "Free Talk" ( **自由谈** ) website contains collections of widely sourced pieces of commentary on a single discussion topic, providing to our users multifaceted and in-depth viewpoints on current topics. We actively combine text, image and video content and integrate interactive UGC, aimed at producing an engaging user experience.

## Content Monitoring

We implement monitoring procedures to remove inappropriate or illegal content, including UGC from our discussion forum, blog, micro-blog, comments postings and user survey services. Our content screening team consists of more than 30 part-time and full-time editors who are responsible for monitoring and preventing the public release of inappropriate illegal content. Text and images are screened by our content screening team, which reviews the content on a 24-hour, 3-shift basis and employs monitoring procedures, including (i) technology screening, where a text filtering system screens content based on pre-set key words and identifies suspected information; and (ii) manual review, where the content that passes the technology screening is reviewed by the content screening team and the flagged content identified by our technology is reviewed and confirmed before it can be released.

## Our Channels and Services

We provide our content and services through three major channels, including our online channel at ifeng.com, our video channel and our mobile channel, and also transmit our content to TV viewers, primarily through Phoenix TV. Together, these channels form a single converged platform providing integrated text, image and video content, and employing a variety of interactive formats to create a rich, personalized and hands-on experience for our users. We derive advertising revenues through our ifeng.com and video channels and, to a small extent at present, through our mobile channel. We generate paid service revenues primarily through our mobile and video channels (our MIVAS and video VAS) and to a lesser extent through our ifeng.com channel (our Internet VAS).

### Our ifeng.com Channel

#### Service Offerings of ifeng.com

Our ifeng.com channel consists of our website at ifeng.com, which comprises our interest-based and interactive verticals. An integral part of our converged platform, our ifeng.com channel provides high quality, integrated and interactive content, including certain exclusive content and early coverage, to our target audiences. The ifeng.com homepage prominently features breaking news stories and a headline banner presenting compelling current issues. It also provides convenient entry into our interest-based verticals and our personalized and community-based interactive verticals. The ifeng.com website was ranked as the 8<sup>th</sup> top website in China in terms of average daily PV by Google Ad Planner in December 2010. The average daily PV of ifeng.com was 87 million, 122 million and 231 million in December 2008, 2009 and 2010, respectively, and grew 165.8% from 117 million in March 2010 to 311 million in March 2011. The monthly UV of ifeng.com was 65 million, 92 million and 183 million in December 2008, 2009 and 2010, respectively, and grew 103.7% from 109 million in March 2010 to 222 million in March 2011.

We have implemented a pointed strategy for integrating our interactive services, such as user surveys and comment postings, into our interest-based verticals, and believe that we have been a pioneer in our wide-scale adoption of user surveys in our coverage of major news events. As a particularly important means for voicing personal opinion in China, we believe that the UGC generated by these services enhances the originality and integrity of our verticals' content, while also providing a participatory experience for our users. In addition, we transmit our survey results, blog UGC and comment postings to a variety of Phoenix TV's prime-time programs, such as "Prime Time News" ( **时事辩论会** ) and "Tiger Talk" ( **一虎一席谈** ) on a daily basis—an unrivalled component of our converged user experience which none of the leading traditional or pure-play new media companies can offer.

*Interest-based Verticals.* We currently provide over 40 interest-based verticals, each of which feature integrated text, image and video content and embedded interactive services, such as user surveys and comment postings. We believe that the integration of all of these elements together creates

a rich user experience. Since ifeng.com is but one of multiple access points to our converged platform, our users can also access a significant portion of our interest-based verticals' content through our mobile channel, including 3g.ifeng.com and MIVAS, and can view in-house produced content and UGC created on these verticals on Phoenix TV's regular programs. Our most popular verticals include:

- *News.* Our news vertical has been ranked the number one Chinese news website in terms of daily page views since July 2010 by Alexa.com. It features our "Focus on Global Chinese" site, which covers not only PRC political news and current events, but also provides extensive coverage of international affairs for the global Chinese community. Leveraging our resources from Phoenix TV and our years of accumulated experience, we offer a level of reporting on Taiwan- and Hong Kong-focused news that is exceptional among media players in China. Our news vertical also features a large amount of in-depth special reports and embedded interactive services. We believe that our intensive use of interactive surveys is unique among media providers of news content. For example, during our live coverage of President Obama's inaugural speech, we not only had a dedicated team deliver in-depth analysis and discussion about the speech, but also integrated user surveys and comment postings into the featured website, which was transmitted to and displayed on Phoenix TV.
- *Finance.* Our finance vertical provides up-to-date information about financial news, securities and personal finance. We believe that the deep relationships we have formed with approximately 40 individual industry leaders contribute to the depth of the reports and discussions we feature on our finance vertical. This vertical is also distinguished, in our view, by the independent finance content we receive from Phoenix TV. In addition, it features an interactive "Pick-Ur-Stock" ( **优股** ) service, which enables users to forecast stock prices, rates such participants by accuracy and allows users to access the price predictions of ranked forecasters for a fee.
- *Automobiles.* Our automobile vertical targets mid- to upper-class car buyers and enthusiasts. It provides a comprehensive and up-to-date database of car models with over one million pictures, and information on brand ratings, maintenance costs and quality assessments to provide guidance for buyers and owners of cars.
- *Entertainment.* Our entertainment vertical spans greater China and strives to cover entertainment news and developments in China, Hong Kong, Taiwan and globally among the Chinese community. This vertical provides broad coverage of the latest entertainment news. It features our in-house produced video program of candid celebrity interviews, "Real Talk" ( **非常道** ), which has streamed interviews with celebrities such as Zhang Yimou, Han Han and Zhang Ziyi, and features videos from Phoenix TV's "Entertainment Whirlwind" ( **娱乐大风暴** ) program. We also transmit content from our entertainment vertical to Phoenix TV for use on its "Entertainment Whirlwind" ( **娱乐大风暴** ) and "Phoenix Info List" ( **凤凰资讯榜** ) programs and our "Real Talk" ( **非常道** ) interviews have been shown on Beijing Satellite TV. We believe that we have established strong relationships with most prominent Chinese celebrities, which contribute to the quality of our entertainment coverage.
- *Fashion.* Our fashion vertical provides coverage on fashion, beauty, weight loss, luxury goods, travel, furniture, art and other popular topics, all centered on the theme of refined lifestyle. It offers information on international fashion trends and new fashion concepts. Our fashion vertical also contributes UGC to Phoenix TV's "Trendy Guide" ( **完全时尚手册** ) TV program.
- *Military affairs.* Our military affairs vertical provides updated information and commentary on military affairs and defense matters and targets a broad audience, from military professionals to hobbyists. It also provides UGC content to Phoenix TV's "Military Observatory Post" ( **军情观察室** ) TV program.

- *History.* Our history vertical provides compelling content about Chinese and international modern history. Drawing from our editors' strong history knowledge and our broad historical perspectives, we investigate relatively unexplored historical turning points and events. We provide in-depth analyses of historical figures and events. Phoenix TV's long-accumulated resources of high quality history programs, provide a valuable source of material for this vertical. Our history vertical's featured coverage of certain major historical events have stirred heated online debates and received broad attention in China's print media. For example, our sub-vertical on urban students' relocation to the countryside during the Cultural Revolution, "Red Knowledge Youth" ( **知青频道** ), received the prestigious annual award from Southern Weekend ( **南方周末** ), an influential newspaper in China. We believe that this vertical has become a favorite website of many high-end users, including many government officials and senior executives.
- *Commentary.* Our commentary vertical delivers critical news commentary, providing explanations of current events and distilling core news topics for our users. This vertical focuses on the Chinese audience, while also giving prominence to global viewpoints. It also features links to our "Free Talk" ( **自由谈** ) column, which provides in-depth commentary on featured topics. We believe that this vertical's independent and diverse viewpoints serve to promote an image of ifeng.com as an opinion leader among high-end users and Chinese institutions.
- *Real Estate.* Our real estate vertical focuses on ways to improve one's living environment and provides real estate information across geographic regions. It features a database with up-to-date information for home-buyers in approximately 35 large and medium-sized Chinese cities. It also provides information on vacation homes, overseas real estate, real estate finance and investments, industry summits and forums.
- *Digital Books.* Our digital books vertical features information on book publications, book reviews, a list of best-sellers and user-generated literature. It also provides access to chapters of several thousand books. This vertical attracted approximately 758,000 daily unique visitors in March 2011.
- *Philanthropy.* Social responsibility is an important part of our corporate philosophy and brand image. Our philanthropy vertical is dedicated to providing information on corporate social responsibility and environmental protection to Chinese people worldwide. We have sponsored various public interest and charity events and provided spiritual and material support to children in destitute areas, underprivileged social groups and victims of natural disasters. This vertical also features coverage of our "Forever Happiness" ( **美丽童行** ) charity events for supporting education in indigenous areas in China.
- *Buddhism.* We offer the only vertical on Buddhism among China's major Internet content and service providers. Our Buddhism vertical promotes compassion and aestheticism, invokes respect and honor for Buddhism followers regardless of their background. On a deeper, spiritual level, this vertical reflects our corporate philosophy's respect for the pursuit of faith and religion.

*Interactive Services.* Our interactive services aim at turning our website into an active venue for social networking and community interaction. These services allow our users to interact with the content we provide, opening up avenues for lively exchange of information. Our micro-blog and comment posting services are available on both our Internet and mobile channels. Also through our converged platform, we feed a substantial amount of UGC to prime-time programs of Phoenix TV on a daily basis. For example, discussion topics for upcoming episodes of Phoenix TV's "Tiger Talk" ( **一虎一席谈** ) and "Current Affairs Debate" ( **时事辩论会** ) programs are displayed on our verticals, and comments posted by our users are integrated into and displayed on the programs when they are broadcasted. By furnishing an engaging user experience across Internet, mobile and TV channels, we

believe that community-based interactive services increase user loyalty and stickiness. We currently offer the following interactive services:

- *Blog.* Our blog site, [blog.ifeng.com](#), is our most popular interactive service. Our 3.4 million registered blogs as of March 2011 include thought leaders and elites in many fields, and we design our blog site to make their views prominent. The site integrates the writings of Phoenix TV's renowned reporters and commentators with the views of bloggers from within China and abroad. We invite both public figures to make contributions to our blog site on specific featured topics and debate adversaries to blog about controversial issues. We also collaborate with Chinese publishing houses to repackage and publish blogs from [blog.ifeng.com](#).
- *Micro-blog.* Our micro-blog site, [t.ifeng.com](#), is an interactive social networking platform for registered users. Users can send and receive messages via our micro-blog website and mobile devices. We also utilize our micro-blog as an effective means to distribute information from our ifeng.com channel, such as the daily debate topics from Phoenix TV's "Current Affairs Debate" ( **时事辩论会** ) program to our users. Our micro-blog UGC also appears on Phoenix TV's programs.
- *User surveys.* Our user surveys allow users to express their opinions on topics featured on our ifeng.com and mobile channels, view up-to-date opinion polls of users generally and compare their views with those of our user community at large. We offer opinion surveys on major featured topics on most of ifeng.com and [v.ifeng.com](#). Our survey results also frequently appear on Phoenix TV's programs.
- *Comment posting.* Our comment posting feature allows registered users to post their reactions to and thoughts on our articles and videos and browse the input of other members of the ifeng.com community. Our comment postings also frequently appear on Phoenix TV's programs.
- *Discussion forum.* Our discussion forum, [bbs.ifeng.com](#), is an interactive feature for rapidly accumulating content centered around current discussion topics. We also conduct online interviews with famous people on our discussion forum. Our discussion forum UGC also frequently appears on Phoenix TV's programs.

*Personalized Features.* We believe that personalized features are important components of an engaging online user experience. Our "personal center" at [ucenter.ifeng.com](#) currently offers the following personalized features:

- Allows registered ifeng.com users to form their personal ifeng.com community and customize ifeng.com content and services to meet their preferences; allows users to add friends, see their friends' most recent activities on ifeng.com and share recommended articles.
- Provides quick access to, and updates on discussion forums and blogs in which the user has participated.
- Allows users to collect their favorite videos and view their video viewing history, conveniently view their news and blog comment postings, amass a library of subscribed e-reading materials and view current rankings of ifeng.com's most popular breaking news and discussion forums.
- Recommends additional content based on viewed content, indicated preferences and user behavior.
- Enables users to revise their personal information, upload a profile picture and link their personal center preferences to their mobile phone.

## ***Our Video Channel***

Our video channel is comprised of our (i) dedicated online video vertical at v.ifeng.com, (ii) mobile video subscription and pay-per-view services and mobile video application and (iii) video content sales business. We offer our video VAS paid services through our video channel, which include our online subscription and pay-per-view services, our mobile subscription and pay-per-view video services and video content sales.

### ***Our v.ifeng.com Vertical***

Our v.ifeng.com vertical offers four categories of video products and services, namely (i) free online video on demand, or VOD, (ii) live Phoenix TV broadcasts, (iii) subscription online video service and (iv) pay-per-view online video service. We organize and present video content, supplemented by text, images, user surveys and comment postings on our v.ifeng.com vertical to create a value-added user experience that we believe is richer than that of watching traditional TV. Our v.ifeng.com site received 15.1 million average daily page views, 64.4 million monthly unique visitors and 20.8 million average daily video views in March 2011. The average daily videos viewed on v.ifeng.com increased by 110.1% from 9.9 million in March 2010 to 20.8 million in March 2011. It was ranked the sixth most visited Chinese video site according to a survey conducted by CR-Nielsen, a rating agency of online business and services, in November 2010, and was awarded "Outstanding Internet Video Media" at the China Internet Summit in January 2011.

***Free Online VOD.*** We believe that our wide array of free online VOD services is a powerful attraction for our users. These VODs typically consist of short clips of up to five minutes of news programs, interviews, documentaries and other programs. Such short clips facilitate convenient consumption and increased advertising exposure, while consuming relatively low bandwidth cost. Our VOD content is easily searchable on our website and is organized into over 10 verticals of v.ifeng.com for easy browsing, including news, finance, culture, sports, history, entertainment, news commentary, military affairs, society, biographies and documentaries. Our documentary vertical provides videos from top documentary production companies from various parts of the world.

***Live Phoenix TV Broadcasts.*** We offer live streams of Phoenix TV's flagship channels, the Phoenix Chinese Channel and the Phoenix InfoNews Channel. These broadcasts provide our users with exclusive online access to up-to-the-minute, quality news from Phoenix TV. Although Phoenix TV's satellite landing rights in China outside of Guangdong Province are limited to international residences and hotels, these programs are highly popular in China. The Phoenix Chinese Channel and Phoenix InfoNews Channel were ranked first and third, respectively, among all Chinese TV networks for audience appreciation in the first half of 2010 by CTR Market Research. This was the Phoenix Chinese Channel's thirteenth consecutive semi-annual first place ranking. These live broadcasts on our v.ifeng.com vertical provide a convenient alternative means for viewing these popular Phoenix TV programs through an Internet-enabled device.

***Online Subscription Video Service.*** Our online subscription video service enables users to watch advertisement-free premium content, such as feature-length documentaries and exclusive online Phoenix TV programming. We had accumulated approximately 55,000 subscribers of this service as of March 31, 2011, of whom over 5,000 newly subscribed during the first three months of 2011. To subscribe, users pay a monthly subscription fee of RMB45 for full access to all VIP content available on our vip.v.ifeng.com vertical. We also offer more tailored subscriptions for users, such as news, history, culture and finance, as well as Taiwan and Hong Kong news for fees ranging from RMB8 to RMB20 per month.

***Online Pay-Per-View Video Service.*** Our online pay-per-view video service enables users to watch advertisement-free premium videos by purchasing access to particular videos on vip.v.ifeng.com. Like



our online subscription videos, our pay-per-view videos include longer videos of up to 20 minutes in length.

#### *Mobile Video Subscription and Pay-Per-View Services and Mobile Video Application*

We offer video content through China Mobile's mobile video platform and through our ifeng Mobile Station video application. Our rich content library of short clips, focused on news and interviews with public figures and celebrities, is particularly well suited for viewing on the small screens of smart phones. Our number of daily mobile videos viewed grew from 64,800 in March 2010 to 1.2 million in March 2011.

*Mobile Subscription and Pay-Per-View Video Services.* We began offering video content through China Mobile's video platform in November 2009 and our video channel on this platform has gained popularity among China Mobile's video channels as measured by monthly UV since April 2010. Users pay a monthly subscription fee for access to our video channel on China Mobile's platforms or pay on a per-clip pay-per-view basis, and we share the fees charged for such services with China Mobile. Mobile users who access our videos on China Mobile's platform either by subscription or on a pay-per-view basis pay a fixed fee, which is generally cheaper than paying for the amount of data downloaded. We had approximately 216,000 monthly subscriptions and approximately 70,000 average one-time payments per day for these services in March 2011.

*Mobile Video Application.* We offer the ifeng Mobile Station video application for a wide range of brand-name mobile devices, such as those of Nokia, Samsung, Lenovo and K-Touch, and for the Android phone. We also launched our updated ifeng Mobile Station video application (凤凰移动台) for the iPhone and iPad in Apple's App Store in May 2010, making us the first major Chinese new media company to launch a video application on both iPhone and iPad. Total downloads of our ifeng Mobile Station video application reached 13.2 million as of March 31, 2011.

#### *Video Content Sales*

We sublicense video content that we obtain from Phoenix TV to third parties, including third party websites or other Internet or mobile media companies, for various terms as specified in our agreements with these parties.

#### *Our Mobile Channel*

Our mobile channel consists of our 3g.ifeng.com mobile website and our MIVAS. We offer MIVAS paid services through our video channel, which include our digital reading services, mobile game services and WVAS. Users can access our mobile content and MIVAS directly from their mobile phones: (i) on our mobile Internet website, 3g.ifeng.com; (ii) from a mobile operator's platform; (iii) by downloading our applications; or (iv) by opening a pre-installed application on their mobile devices.

We believe that we were an early mover in the fast-growing markets for mobile Internet website service and digital reading service in China, and quickly developed our mobile video and mobile newspaper services to be compatible with almost all major mobile operating systems and mobile device models in the Chinese market. We believe that our early stage cross-channel offerings have not only served to meet the emerging mobile demands of our Internet user base, thereby increasing our user loyalty, but also allowed us to gain an early-mover advantage by offering premium content from ifeng.com at a time when mobile Internet users were still navigating the numerous emerging mobile Internet services in China and forming their preferences.

We provide and market our MIVAS through cooperation with mobile operators as well as various mobile device manufacturers, Internet sites, technology and media companies. Our MIVAS are tailored to the technical requirements and billing systems of mobile operators, through whom we deliver all of

our MIVAS paid services. We believe that we have become an important collaborative partner of the mobile operators with whom we work. These operators specially recommend certain of our MIVAS to their subscribers and have featured our brand in their promotions.

Mobile device manufacturers are also important collaborative partners for us. We collaborate with major mobile device manufacturers, including Nokia, Samsung, Motorola, Lenovo, K-Touch, Coolpad, Huahui and ZTE, with whom we believe we have established strong relationships. We also cooperate with major mobile application stores, including Apple App Store, Google Market, Nokia OVI, China Mobile's Mobile Market, 91 Mobile Assistant, and several programs supported by Android. Total downloads of all of our mobile applications, including pre-installations, reached 14.8 million as of March 31, 2011.

### *3g.ifeng.com*

Our 3g.ifeng.com website is a modified version of our ifeng.com site reformatted for use on mobile devices and tailored to the preferences of our mobile users. As part of our converged platform, 3g.ifeng.com allows our users to access quality ifeng.com and v.ifeng.com content while they are on-the-go. Our 3g.ifeng.com mobile Internet site received 88 million average daily page views in March 2011. Similar to ifeng.com, our 3g.ifeng.com features an array of interest-based and interactive verticals, including news, stocks, micro-blog, user surveys, and digital reading, as well as a mobile video site for watching free mobile VOD, and a digital reading site.

Our 3g.ifeng.com digital reading site features information on book publications, book reviews, a best-selling book list and user-generated literature. It also provides access to free downloads of approximately 8,300 books. We promote our mobile reading offerings through featured programs on our ifeng.com discussion forum, such as our "National Reading History" series.

### *MIVAS*

As part of our converged platform, MIVAS provide a convenient means for our users to access our quality content, for example through our digital reading services, while they are on-the-go. Our MIVAS consist mainly of the following product lines:

*Digital Reading Services.* In addition to our digital reading vertical at 3g.ifeng.com, we also offer a mobile newspaper service, mobile books service and digital reading applications.

- *Mobile Newspaper Service.* We edit content from our content library to deliver mobile newspapers to mobile users of China Mobile, China Telecom and China Unicom via MMS. Our mobile newspapers provide periodicals in digital form reformatted for convenient viewing on mobile devices. Our mobile newspaper services include five principal products, including Global Phoenix Weekly ( **鳳凰週刊** ), Global Phoenix Observer ( **全球通鳳凰觀察** ), Phoenix Focus ( **鳳凰聚焦** ), Phoenix Afternoon Tea ( **鳳凰下午茶** ) and Lao Yang Reads the Paper ( **老楊讀報** ), which are published one to six times a week. China Mobile's VIP subscribers can receive our mobile newspaper service as part of their subscription and other mobile users can subscribe to this service independently through any one of China's mobile operators. We began offering mobile newspaper services in January 2007.
- *Digital Books Service.* In December 2010, we began providing digital reading content to China Mobile Communications Group Zhejiang Company Limited, which operates China Mobile's digital reading platform. We currently offer book content to customers of China Mobile through this platform.

- *Digital Reading Applications.* We currently offer digital reading applications for a variety of mobile devices, including the Android phone, iPhone and iPad. These applications include Phoenix Weekly ( 鳳凰週刊 ), Phoenix Books ( 鳳凰書屋 ) and Phoenix News ( 鳳凰新聞 ). Downloads of our Phoenix Weekly application reached 1.1 million in March 2011.

*Mobile Game Services.* We currently offer approximately 30 single player games and one social game through China Mobile's gaming platform, which allows users to download our programs using GPRS and 3G technologies. We were one of the first three partners chosen by China Mobile to participate in its "Pilot Internet Program," which is part of China Mobile's effort to migrate its gaming business from its mobile network to the Internet. We began offering mobile games in February 2010.

*WVAS.* We also provide wireless value-added services, or WVAS, as part of our MIVAS offerings through various 2G and 2.5G standard technology platforms. We offer the following WVAS:

- *SMS-based Services.* We offer chat and other community services, television interactive features, such as surveys, as well as quizzes and games.
- *Music Services.* We provide personal ring back tones, RBT services, including a variety of entertaining content, such as pre-recorded messages, movie dialogues and soundtracks, and full-length songs, including a wide range of classical and popular music, through the Central Music Platform operated by China Mobile, China Telecom and China Unicom, using music that we license from Universal Music, Sony and Emperor.
- *IVR-based Services.* We offer chat services whereby users can chat with each other live over their mobile devices in mobile public chat rooms. Users can also utilize our IVR services to access music, greetings from Chinese celebrities, jokes and story series, or send this content to the mobile phones of their friends or others.
- *WAP-based Services.* We offer picture downloads, community services, games, pop culture, news and finance and personal information management services.
- *MMS-based Services.* We offer a messaging service that allows multimedia content such as ringtones and pictures to be transmitted in a single message, compared to simple text via SMS.

#### *Mobile Internet Billing*

We do not directly bill our users, and depend on the billing systems and records of the mobile operators to bill and collect the majority of our MIVAS fees. We generally do not have the ability to independently verify the accuracy of the billing systems of the mobile operators. As the mobile operators do not provide us with a detailed revenue breakdown on a service-by-service basis, we depend on our internal data management system to monitor revenues derived from each of our mobile services. See "Risk Factors—Risks Relating to Our Business and Industry—Our dependence on the billing systems and records of mobile operators may require us to estimate portions of our reported revenues and cost of revenues for our MIVAS and mobile subscription and pay-per-view video services, which may require subsequent adjustments to our financial statements."

**Summary of Our Service Offerings**

The following table sets forth our paid service offerings in each of our ifeng.com, video and mobile channels and the percentage contribution of our various paid services to our paid service revenues and total revenues in 2010. Our numbers of paid service users were 2.2 million, 6.4 million and 10.1 million as of March 31, 2009, 2010 and 2011, respectively.

<b>Paid Service Offerings<sup>(1)</sup></b>	<b>% of paid service revenues</b>	<b>% of total revenues</b>
<b>Paid services</b>		
<b>MIVAS (mobile channel)</b>	<b>87.3%</b>	<b>53.6%</b>
WVAS	60.6%	37.2%
Digital reading services	23.5%	14.4%
Mobile game services	3.2%	2.0%
<b>Video VAS (video channel)</b>	<b>8.1%</b>	<b>5.0%</b>
Online subscription and pay-per-view video services, mobile subscription and pay-per-view video services and video content sales	8.1%	5.0%
<b>Internet VAS (ifeng.com channel)</b>	<b>4.6%</b>	<b>2.8%</b>
Pick-Ur-Stock and other Internet VAS	4.6%	2.8%

(1) With respect to our paid services: (i) Tianying Jiuzhou conducts most of our WVAS services, our digital reading services, most of our mobile game services, our video VAS services and a portion of our Internet VAS services; (ii) Yifeng Lianhe conducts some of our WVAS and a small portion of our mobile game services; and (iii) Fenghuang On-line generates revenue from conducting certain promotional activities for Phoenix TV, which we categorize within our Internet VAS from an accounting perspective under US GAAP.

The following table sets forth our non-paid service offerings in each of our ifeng.com, video and mobile channels.

**Non-Paid Services****Mobile channel**

3g.ifeng.com

Digital reading applications

**Video channel**

Free online VOD

Live Phoenix TV broadcasts

Mobile video application

**ifeng.com channel**

Interest-based verticals

Interactive services

Personalized features

**Advertising Sales, Services and Advertisers**

We seek to provide our advertising customers with new media advertising solutions that are high-impact and cost-effective. We attract advertisers with our strong brand name and our highly educated, affluent targeted user base. We enable our advertisers to further focus on their target audience by placing advertisements on our various interest-based verticals. Such targeting capabilities allow advertisers to enhance their hit rates of desired audiences, thereby allowing advertisers to avoid ineffective user exposures and clicks from undesired audiences. In addition, based on our converged platform, we offer advertisers the ability to create integrated campaigns across our various channels.

### ***Our Advertising Sales***

In order to capitalize on the market opportunity in China for Internet and mobile Internet advertising, we maintain a dedicated sales team of 161 professionals as of March 2011. Our team is organized into a front-end sales team of 83 professionals and a back-end support force of 78 professionals, which are further segmented into direct sales, agency sales, customer support, advertising design and production, resource management, advertising serving, advertising strategy and sales promotion and other functions. Our sales team is overseen by our vice president of advertising sales. We focus our sales pitches on our four core strengths: intended target audience, insight into content and user behavior, integrated platform and influential brand—our "4i's for ROI," an advertising sales philosophy that we have developed over the years.

As is typical in China's online advertising industry, we primarily sell our advertising services through third-party advertising agencies. We mainly charge our advertisers based on the duration of their advertising exposure. Prices for advertisements on our website are fixed under our advertisement contracts, typically at a discount to our listing prices. Although our advertising services are primarily on our ifeng.com and video channels at present, we expect to increase our advertising services on our mobile channel going forward. In addition to advertising services we offer on our ifeng.com, video and mobile channels, we also, together with Phoenix TV, provide bundled new media and TV advertising solutions to certain of Phoenix TV's advertisers.

### ***Our Advertising Services***

We strive to provide our advertisers with high-quality customer service. Our experienced sales professionals help advertisers to analyze their target audiences and create innovative campaign strategies and designs. We leverage our "4i's for ROI" strengths to provide a variety of advertising solutions, including online advertisements, online video advertisements, user activities, live promotions and cross media public relations campaigns. We have an advertising tracking system, which records and maintains the traffic statistics and other data that can be used to measure the effectiveness of advertisements. After the release of a customer's advertising campaign, we furnish them with a report on the campaign's effectiveness either prepared in-house or by an independent research firm.

We received the "Best Internet Advertising New Media Company" and "Best Internet Advertising Campaign" at the 7<sup>th</sup> Adworld Award at the Chinese Internet Advertising Conference in July 2010.

### ***Our Advertisers***

We have a diverse advertising client base, including both Chinese and international blue chip brand advertisers. Our number of advertisers reached 197, 319 and 502 as of December 31, 2008, 2009 and 2010, respectively. Our top five advertisers in terms of revenue in 2010 were Toyota, Masa Maso, Beijing Tongyitang, Taobao and eBen, in the automobile, e-commerce and industrial sectors. These top 5 advertisers accounted for 16.5% of our total executed advertising contract amount in 2010. Our top ten advertisers accounted for 25.1% of our total executed advertising contract amount in 2010. Our advertisers generally are in the automobile, e-commerce, technology, health care, food & beverages, financial services, airline, cosmetic products, education and communication services industries.

### ***Our Account Execution Personnel***

We have a dedicated team of account execution personnel, including seven employees as of March 31, 2011 who perform a series of review procedures on our advertising material before we display such material on our platform interfaces. This team checks advertisements for form and reviews them to ensure that they do not contain any racial, violent, pornographic or other inappropriate content. This team also verifies that advertisers have provided relevant government approvals if their advertisements are subject to special government requirements.

## **Marketing and Promotion**

We employ a variety of traditional and online marketing programs and promotional activities to build our brand as part of our overall marketing strategy. We focus on building brand awareness and growing our user base through proactive public relations and innovative and interactive marketing activities and events. We also entered into a mutual promotion arrangement included in the Phoenix TV Cooperation Agreement, whereby we and Phoenix TV actively promote one another's brand on our respective Internet and TV platforms. In addition, we strive to maintain strong relationships with smartphone and Internet-enabled device manufacturers, such as Nokia, Motorola and Apple, in China. In the first half of 2010, Nokia pre-installed our ifeng Mobile Station video application on most of its mobile device models and the ifeng Mobile Station video application was a major selling point in Nokia's promotion of its flagship mobile device for 2010. Motorola also pre-installed our ifeng Mobile Station video application on its flagship 2010 mobile device and featured the application in its promotions for this phone. Our ifeng Mobile Station video application has been chosen by Apple for its iPhone demonstrations in its Beijing stores.

We believe that our distinguished content and high-quality services lead to strong word-of-mouth promotion, which we believe continues to drive consumer awareness of our brand in China. For example, we hosted a live video interview with the Taiwanese president, Ma Ying-Jeou, which was an unprecedented interview between Chinese Internet users and a Taiwanese leader and a valuable opportunity for promoting ifeng.com to the global Chinese audience. We also possessed exclusive access to live coverage of President Obama's inaugural speech, which we provided to our users and sublicensed to other online video providers in China. This live streamed coverage created an online sensation in China. In addition, our engagement in philanthropic activities, helps associate our brand with social responsibility. For example, in 2009 we constructed an elementary school in a poor village in Sichuan Province, which was funded by our users through a "Phoenix Philanthropic Fund Account" on our discussion forum website. We intend to continue to implement innovative and cost-effective marketing and channel development initiatives to grow our user base and further enhance our brand influence.

## **Product Development**

We believe that strong product development capability is critical to the success of our business. We have focused and will continue to focus on the development of new products and services. For example, in the past year we worked to build up a dedicated mobile application development team, and introduced a significant number of new mobile applications. Average daily downloads of all of our mobile applications, reached over 23,000 in March 2011. Our mobile video service on China Mobile's video platform has achieved popularity among China Mobile's video channels in terms of monthly unique visitors since April 2010. In addition, we have developed and implemented a pointed strategy for broadly integrating interactive services, such as user surveys and comment postings, into our ifeng.com and mobile channels, which we believe increases our user stickiness. At present, we continue to focus on product development in the areas of mobile applications and interactive services.

## **Infrastructure and Technology**

Our technology platform has been designed for reliability, speed, scalability and flexibility and is administered by our in-house technology department. We have access to a network of approximately 770 leased and self-owned servers across China with power supply and power generator backup. We have contracts with certain top-tier vendors such as Hewlett-Packard, Dell and Cisco for warranty services for our hardware. We have developed our server operations based on a LAMP structure, a solution stack of free, open source and easily adaptable software, which has allowed us to lower software related investment and enhance our network reliability. This structure, along with other features described below, contributes to the reliability, speed, scalability and efficiency of our network.

*Content Management Technology.* We have internally developed a leading new media content management system, which fully integrates our ifeng.com, video and mobile channels. The strength of our content management system is evidenced by our cooperation with Dayang Development Technology, Inc. China's largest manufacturer of TV broadcasting technology, which we entered into in August 2010 to sell new media content management solutions for provincial and local TV stations in China.

*Bandwidth Saving Technology.* Our CDN allows us to provide ample bandwidth to our users, thereby enhancing their user experience. Our CDN system is comprised of our self-developed CDN and a commercial CDN, which allows us to ensure bandwidth for users located in remote areas on an efficient and cost-effective basis. We have established nine CDN nodes with Jinan Unicom, Suzhou Telecom, Guangdong Telecom, Beijing Mobile, and other mobile operators.

*Integration with Phoenix TV.* We are currently undertaking an initiative to enhance the integration of our and Phoenix TV's content management systems by allowing us to directly access Phoenix TV's programs digitally, in addition to our current access via satellite signal, and to expedite the transmission of our content to Phoenix TV.

*Data Analysis Technology.* We have internally developed an analytical data system, which collects, analyzes and stores data about our user traffic and behavior. This system possesses flexible mechanics for organizing and analyzing user data, and is relatively low cost.

*Cloud Computing.* Our technology department began researching the use of a cloud computing system two years ago to modify our network and system structure and lower our content delivery and system maintenance costs. We have already completed the testing of our distributed file system, which will provide file access services to our content management system, and is anticipated to become a streaming media service and core storage system for each of our CDN nodes. We have also commenced our distributed computing platform project, which is expected to provide large-scale computer capacity support for our raw access log and transcoding computing-intensive applications.

*Monitoring and Support.* We employ a self-developed Internet management system and a third-party monitoring service to ensure our service quality. We monitor the traffic on our CDN nodes, as well as our network equipment, service equipment and system status. We also monitor traffic levels on our end user service in order to constantly improve the quality of our service.

*Content Filtering Technology.* Our in-house developed identification system enables us to filter UGC in order to comply with PRC regulatory requirements on Internet content.

## **Competition**

We operate in the market of Internet and mobile Internet content and services in China. The industry is highly competitive and rapidly changing due to the fast growing market and technological developments. Our ability to compete successfully depends on many factors, including the quality and relevance of our content, the demographic composition of our users, brand recognition and reputation, user experience, the robustness of our technology platform, our ability to provide innovative advertising services to our customers and our relationships with our advertisers.

While we believe that our integrated platform business model and targeted user base is distinct, on the whole, from other companies in China, we compete with other content and service providers in each of our individual channels for user traffic, advertising revenue and fee-based services. In online content and service provision, we compete primarily with NetEase.com, Inc., Sina Corporation, Sohu.com Inc. and Tencent Technology Limited (QQ.com). In video, we compete with a number of "pure play" online video companies, including Ku6.com, Qiyi.com, Tudou Holdings Limited and Youku.com Inc. In addition, CCTV, China's largest and state-owned television network launched its

online video website, China Network Television, or CNTV, in December 2009. We also face competition in this area from the online video websites of large Chinese Internet companies, such as NetEase.com, Sina Corporation, Sohu.com Inc., and Tencent Technology Limited. In mobile Internet, we primarily compete against 3G Menhu, A8.com, and Kong Zhong Corporation, as well as the mobile businesses of the large Chinese Internet companies Sina Corporation and Tencent Technology Limited (3G.QQ.com).

For overseas Chinese users, we compete with Wenxuecity.com and Duowei News in the United States and Yahoo!Qimo in Taiwan.

We also compete with traditional advertising media, such as television, radio, print media, as well as billboards and other forms of outdoor media. Large companies currently spend a relatively small portion of their advertising budgets on new media advertising as compared to traditional media advertising, but we expect their proportionate spending on new media advertising relative to traditional media advertising to increase in the future.

### **Intellectual Property**

We rely on non-compete, confidentiality and/or license agreements with our employees, business partners and others to protect our proprietary rights.

We had seven software registrations and owned eight domain names as of March 31, 2011, including ifeng.com.

We do not currently own any registered trademarks and are therefore currently not in compliance with a notice of the MIIT which requires ICP License-holders to own the trademarks used in their value-added telecommunications businesses. Pursuant to the Phoenix TV Cooperation Agreement, each of our affiliated consolidated entities entered into a trademark license agreement with Phoenix Satellite Television Trademark Limited, a subsidiary of Phoenix TV, in November 2009, under which each of our affiliated consolidated entities has been granted the right to use certain of Phoenix TV's logos. See "Related Party Transactions—Transactions and Agreements with Phoenix TV and Certain of its Consolidated Affiliated Entities—Phoenix TV Trademark License Agreements." Phoenix Satellite Trademark Limited has completed the application form to transfer one of the logos currently licensed from Phoenix Satellite Television Trademark Limited to Tianying Jiuzhou, and Tianying Jiuzhou has submitted the application to the PRC Trademark Office. For information about the risks related to our lack of ownership of any registered trademarks and use of licensed trademarks and our plans to remedy such risks, see "Risk Factors—Risks Relating to Our Business and Industry—Our consolidated affiliated entities and their respective shareholders do not own the trademarks used in their value-added telecommunications services, which may subject them to revocation of their licenses or other penalties or sanctions."

### **Employees**

We had approximately 374, 526 and 836 employees as of December 31, 2008, 2009 and 2010, respectively. Our number of employees has grown significantly to accommodate the growth of our



business. The table below sets forth the number of employees categorized by function as of March 31, 2011:

<u>Function</u>	<u>Number of employees</u>
Management and Administration	44
Content Development	339
Mobile Products and Services	247
Technology and Product Development	111
Sales and Marketing	171
<b>Total</b>	<b>912</b>

As of March 31, 2011, we had 795, 39 and 33 employees located in Beijing, Shanghai and Guangzhou, respectively, and 45 employees located in other locations in China. Currently we do not have any employees located outside China.

Since our inception, we have not experienced any strikes or other disruptions of employment. We believe our relationships with our employees are good.

The remuneration package of our employees includes salary, bonus, equity-based compensation and other cash benefits. In accordance with applicable regulations in China, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a personal injury insurance plan, maternity insurance and a housing reserve fund for the benefit of all of our employees.

### Legal and Administrative Proceedings

We are currently not a party to any material legal or administrative proceedings and are not aware of any pending or threatened material legal or administrative proceedings against us. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

### Facilities

Our executive offices are located at Fusheng Building Tower 2, 16<sup>th</sup> Floor, 4 Hui Xin Dong Jie, Chaoyang District, Beijing 100029, People's Republic of China. We maintain a number of offices in Beijing and Shanghai under leases with terms ranging from one to three years.

The following table describes each of our major offices as of March 31, 2011:

<u>Location</u>	<u>Space (in square meters)</u>	<u>Usage of Property</u>	<u>Expiration Dates</u>
Beijing	3,643	Office	June 30, 2011
Beijing	2,243	Office	November 24, 2013
Beijing	1,080	Office	March 29, 2014
Shanghai	396	Office	May 31, 2013
Guangzhou	325	Office	October 28, 2012

We believe that our leased facilities are adequate to meet our needs for the foreseeable future, and that we will be able to obtain adequate facilities, principally through leasing of additional properties, to accommodate our future expansions.

## REGULATION

The following is a summary of the principal PRC laws and regulations that are or may be applicable to our company.

### Regulation of Telecommunications and Internet Information Services

The telecommunications industry, including the Internet sector, is highly regulated in the PRC. Regulations issued or implemented by the State Council, the Ministry of Industry and Information Technology, or MIIT (formerly the Ministry of Information Industry, or MII), and other relevant government authorities cover many aspects of operation of telecommunications and Internet information services, including entry into the telecommunications industry, the scope of permissible business activities, licenses and permits for various business activities and foreign investment.

The principal regulations governing the telecommunications and Internet information services we provide in the PRC include:

*Telecommunications Regulations (2000)*, or the Telecom Regulations. The Telecom Regulations categorize all telecommunications businesses in the PRC as either basic or value-added. Value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructures. The currently effective "Catalog of Telecommunications Business," an attachment to the Telecom Regulations, categorizes various types of telecommunications and telecommunications-related activities into basic or value-added telecommunications services, according to which, Internet information services, or ICP services, are classified as value-added telecommunications businesses. Under the Telecom Regulations, commercial operators of value-added telecommunications services must first obtain an operating license for value-added telecommunications services, or the ICP License, from MIIT or its provincial level counterparts.

*Administrative Measures on Internet Information Services (2000)*, or the Internet Measures. According to the Internet Measures, a commercial ICP service operator must obtain an ICP License from MIIT or its provincial level counterparts before engaging in any commercial ICP service in PRC. When the ICP service involves areas of news, publication, education, medicine, health, pharmaceuticals, medical equipment and other industry and, if required by relevant laws and regulations, prior approval from the respective regulatory authorities must be obtained prior to applying for the ICP License. Moreover, an ICP service operator must display its ICP License number in a conspicuous location on its website.

*Administrative Measures for Telecommunications Business Operating License (2009, revised)*, or the Telecom License Measures. Pursuant to the Telecom License Measures, an ICP service operator conducting business within a single province must apply for the ICP License from MIIT's applicable provincial level counterpart, while that providing ICP services across provinces must apply for Trans-regional ICP License directly from MIIT. The appendix to the ICP License should detail the permitted activities to be conducted by the ICP service operator. An ICP service operator that has been granted a Trans-regional ICP License is required to file a record with the local branch of MIIT at the provincial level prior to conducting any value-added telecommunications business in such province. An approved ICP service operator must conduct its business in accordance with the specifications recorded on its ICP License. The ICP License is subject to annual review and the annual review result will be recorded as an appendix to the ICP License, published to the public and notified to the applicable administrative authority for industry and commerce.

*Regulations for Administration of Foreign-Invested Telecommunications Enterprises (2008, revised)*, or the FITE Regulations. Under the FITE Regulations, a foreign entity is prohibited from owning more than 50% of the total equity interest in any value-added telecommunications service business in the

PRC and the major foreign investor in any value-added telecommunications service business in the PRC shall have a good track record in such industry.

*Notice on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services* (2006), or the MIIT 2006 Notice. Under the MIIT 2006 Notice, a domestic PRC company that holds an ICP License is prohibited from leasing, transferring or selling the ICP License to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in the PRC. Further, the domain names and registered trademarks used by an operating company providing value-added telecommunications service must be legally owned by such company and/or its shareholders. In addition, such company's operation premises and equipment should comply with its approved ICP License, and such company should establish and improve its internal Internet and information security policies and standards and emergency management procedures. After the promulgation of the MIIT 2006 Notice in July 2006, the MIIT issued a subsequent notice in October 2006, or the MIIT October Notice, urging value-added telecommunication service operators to conduct self-examination regarding any noncompliance with the MIIT 2006 Notice prior to November 1, 2006. Pursuant to the MIIT October Notice, ICP License-holders who were not in compliance with the MIIT 2006 Notice were allowed to submit a self-correction report to the local provincial-level branch of MIIT by November 20, 2006.

We are currently not in compliance with the MIIT 2006 Notice because our affiliated consolidated entities have not registered any trademarks and all of the trademarks used in the value-added telecommunications services of these entities, which consist of logos, are licensed from Phoenix Satellite Television Trademark Limited, a wholly owned subsidiary of Phoenix TV. In order to serve to comply with the MIIT 2006 Notice, Phoenix Satellite Television Trademark Limited has completed the application form to transfer the "ifeng" logo, which the affiliated consolidated entities now license from Phoenix Satellite Television Trademark Limited, to Tianying Jiuzhou, and Tianying Jiuzhou has submitted the application to the PRC Trademark Office. It is expected that the transfer and related registration will take six to nine months to complete. In addition, we will continue to examine the possibility of the transferring to our affiliated consolidated entities all or part of the ownership of additional licensed logos currently used by them in a manner that would meet the requirements of PRC trademark regulations in due course in the future. Furthermore, we will register some of our own trademarks, for which the process is expected to take one to two years. For information about the risks related to our lack of ownership of any registered trademarks and use of licensed trademarks, see "Risk Factors—Risks Relating to Our Business and Industry—Our consolidated affiliated entities and their respective shareholders do not own the trademarks used in their value-added telecommunications services, which may subject them to revocation of their licenses or other penalties or sanctions."

*Tentative Measures for the Administration of Commercial Website Filings for Record* and their implementing rules (2000). Under these rules, commercial websites must file with the relevant administration of industry and commerce to obtain electronic registration marks and place the registration marks on the homepages.

In order to comply with these PRC laws and regulations, we operate our commercial website through Tianying Jiuzhou, one of our PRC consolidated affiliated entities. Tianying Jiuzhou holds an ICP License and owns the material domain names for our value-added telecommunications business. In addition, Tianying Jiuzhou completed the necessary filing with the relevant Administration of Industry and Commerce to obtain the electronic registration mark for our website and has placed the registration mark on the website homepage. Tianying Jiuzhou has completed all necessary registrations and approvals for its use of such material domain names.

Under various laws and regulations governing ICP services, ICP services operators are required to monitor their websites. They may not produce, duplicate, post or disseminate any content that falls

within the prohibited categories and must remove any such content from their websites, including any content that:

- opposes the fundamental principles determined in the PRC's Constitution;
- compromises state 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;
- sabotages the PRC's religious policy or propagates heretical teachings or feudal superstitions;
- disseminates rumors, disturbs social order or disrupts social stability;
- propagates obscenity, pornography, gambling, violence, murder or fear or incites the commission of crimes;
- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or
- includes other content prohibited by laws or administrative regulations.

The PRC government may shut down the websites of ICP License holders that violate any of the above restrictions and requirements, revoke their ICP Licenses or impose other penalties pursuant to applicable law.

In order to comply with these PRC laws and regulations, we have adopted internal procedures to monitor content displayed on our website. However, because the definition and interpretation of prohibited content is in many cases vague and subjective, it is not always possible to determine or predict what content might be prohibited under existing restrictions or restrictions that might be imposed in the future and we may be subject to penalties for such content. See "Risk Factors—Risks Relating to Our Business and Industry—The Chinese government may prevent us from advertising or distributing content that it believes is inappropriate and we may be subject to penalties for such content or we may have to interrupt or stop the operation of our website."

#### **Regulation of Online Transmission of Audio-Visual Programs**

On July 6, 2004, the State Administration of Radio, Film and Television, or SARFT, promulgated the *Measures for the Administration of Publication of Audio-Visual Programs through the Internet or Other Information Networks*, or the 2004 Internet A/V Measures, which apply to activities relating to the opening, broadcasting, integration, transmission or download of audio-visual programs via the Internet or other information networks. An applicant who engages in the business of transmitting audio-visual programs must obtain a license from SARFT in accordance with its category of business, including receiving terminals, transmission networks and other items. Foreign-invested enterprises are not allowed to engage in the above business. Pursuant to the *Certain Decisions on the Entry of the Non-State-owned Capital into the Cultural Industry*, and the *Several Opinions on Canvassing Foreign Investment into the Cultural Sector* promulgated in 2005 non-State-owned capital and foreign investors are not allowed to conduct the business of transmitting audio-visual programs via an information network.

On December 20, 2007, SARFT and MII jointly promulgated the *Administrative Provisions on Internet Audio-visual Program Service*, or the Audio-visual Program Provisions, which came into effect on January 31, 2008. The Audio-Visual Program Provisions apply to the provision of audio-visual program services to the public via the Internet (including mobile network) in China. Providers of Internet audio-visual program services are required to obtain a License for Online Transmission of Audio-Visual Programs issued by SARFT or complete certain registration procedures with SARFT. Providers of

Internet audio-visual program services are generally required to be either State-owned or State-controlled by the PRC government, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for Internet audio-visual program service determined by SARFT. In a press conference jointly held by SARFT and MII to answer questions with respect to the Audio-Visual Program Provisions in February 2008, SARFT and MII clarified that providers of Internet audio-visual program services who engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to register their business and continue their operation of Internet audio-visual program services so long as such providers have not been in violation of laws and regulations.

On May 21, 2008, SARFT issued a *Notice on Relevant Issues Concerning Application and Approval of Licenses for Online Transmission of Audio-Visual Programs*, which sets forth detailed provisions concerning the application and approval process for the License for Online Transmission of Audio-Visual Programs. The notice also states that providers of Internet audio-visual program services who engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to apply for the license as long as their violation of the laws and regulations is minor and can be rectified in a timely manner and they have no records of violation during the three months prior to the promulgation of the Audio-Visual Program Provisions.

On December 28, 2007, SARFT issued the *Notice on Strengthening the Administration of TV Dramas and Films Transmitted via the Internet*, or the *Notice on Dramas and Films*. According to this notice, if audio-visual programs published to the public through an information network fall under the film and drama category, the requirements of the Permit for Issuance of TV Dramas, Permit for Public Projection of Films, Permit for Issuance of Cartoons or academic literature movies and Permit for Public Projection of Academic Literature Movies and TV Plays will apply accordingly. In addition, providers of such services should obtain prior consents from copyright owners of all such audio-visual programs.

Further, on March 31, 2009, SARFT issued the *Notice on Strengthening the Administration of the Content of Internet Audiovisual Programs*, or the *Notice on Content of A/V Programs*, which reiterates the requirement of obtaining the relevant permit for publishing audio-visual programs to the public through an information network, and prohibits certain types of Internet audio-visual programs from containing violence, pornography, gambling, terrorism, superstitious or other hazardous contents.

On April 1, 2010, SARFT issued the *Internet Audio-visual Program Services Categories (Provisional)*, or the Provisional Categories, which classifies Internet audio-visual programs into four categories. However, at this stage it is unclear how the categorization system under the newly adopted Provisional Categories may be enforced or how it may evolve.

In order to comply with these laws and regulations, Tianying Jiuzhou submitted an application to SARFT for the License for the Online Transmission of Audio-Visual Programs. However, we have not been granted such license as to the date of this prospectus and cannot assure you that we may be able to obtain one. See "Risk Factors—Risks Relating to Our Business and Industry—Our lack of an Internet audio-visual program transmission license may expose us to administrative sanctions, including the banning of our video VAS, non-paid video services and video advertising services, which could materially and adversely affect our business and results of operation."

#### **Regulation of Foreign Television Programs and Satellite Channels**

Broadcast of foreign television programs is strictly regulated by SARFT. On August 11, 1997, the State Council promulgated the *Administrative Regulations on Television and Radio*, under which any foreign television drama or other foreign television program to be broadcast by television or radio stations is subject to the prior inspection and approval by SARFT or its authorized entities. On June 18, 2004, SARFT promulgated the *Administrative Measures on the Landing of Foreign Satellite*

*Television Channels*, pursuant to which foreign satellite television channels can only be broadcast in three-star (or above) hotels for foreigners or departments exclusively for the residence of foreigners or other specific areas, and prior broadcasting approval for such limited landing must be obtained from SARFT.

In addition, on September 23, 2004, SARFT promulgated the *Administrative Regulations on the Introduction and Broadcasting of Foreign Television Programs*, pursuant to which only organizations designated by SARFT are qualified to apply to SARFT or its authorized entities for introduction or broadcasting of foreign television dramas or foreign television programs. Approval of such application is subject to the general plan of SARFT and the contents of such foreign television dramas or programs may not in any way threaten the national security or violate any laws or regulations.

The 2004 Internet A/V Measures explicitly prohibit Internet service providers from broadcasting any foreign television or radio program over an information network and state that any violation may result in warnings, monetary penalties or, in severe cases, criminal liabilities. On November 19, 2009, SARFT issued a notice to extend the prohibition to broadcasting foreign television programs via mobile phones. However, pursuant to several notices issued by SARFT, such as the *Notice on Dramas and Films* and the *Notice on Content of A/V Programs* referenced above under "—Regulation of Online Transmission of Audio-visual Programs," foreign audio-visual programs may be published to the public through the Internet, provided that such foreign audio-visual programs comply with the regulations on administration of radios, films and television, and that the relevant permits required by PRC laws and regulations, such as the Permit for Issuance of TV Dramas, Permit for Public Projection of Films, Permit for Issuance of Cartoons or academic literature movies and Permit for Public Projection of Academic Literature Movies and TV Plays, have been obtained for such foreign audio-visual programs. The promulgation of the *Notice on Dramas and Films* and the *Notice on Content of A/V Programs* implies that the absolute restriction against broadcasting foreign television or radio programs on the Internet as set forth in the 2004 Internet A/V Measures has been lifted.

A substantial portion of the audio-visual programs and content on our website are closely linked to or are online versions of the TV content of Phoenix TV and we currently do not have any approval from SARFT for introducing and broadcasting foreign television programs into China and cannot assure you that we may be able to obtain such approval if required to do so. See "Risk Factors—Risks Relating to Our Business and Industry—Failure to obtain SARFT's approval for introducing and broadcasting foreign television programs could have a material adverse effect on our ability to conduct our business."

### **Regulation of the Production of Radio and Television Programs**

On July 19, 2004, SARFT promulgated the *Regulations on the Administration of Production of Radio and Television Programs*, or the Radio and TV Programs Regulations, which came into effect as of August 20, 2004. Under the Radio and TV Programs Regulations, any entities that engage in the production of radio and television programs are required to apply for a license from SARFT or its provincial branches. Entities with the Permit for Production and Operation of Radio and TV Programs must conduct their business operations in strict compliance with the approved scope of production and operation. Furthermore, entities other than radio and TV stations are strictly prohibited from producing radio and TV programs covering contemporary political news or similar subjects and columns.

Tianying Jiuzhou has been granted a Permit for Production and Operation of Radio and TV Programs, with a permitted scope including the production of animations, featured shows and entertainment programs.

## Regulation of Online Cultural Activities, Online Games and Internet Music

The MOC promulgated the new *Provisional Measures on Administration of Internet Culture* on February 17, 2011, or the Internet Culture Measures, which became effective as of April 1, 2011 and the *Notice on Issues Relating to Implementing the Newly Amended Provisional Measures on Administration of Internet Culture* on March 18, 2011, replacing the relevant regulations promulgated in 2003. The Internet Culture Measures apply to entities that engage in activities related to "online cultural products." "Online cultural products" are classified as cultural products produced, disseminated and circulated via the Internet that include: (i) online cultural products specifically produced for the Internet, such as online music entertainment, network games, network performance programs, online performing arts, online artworks and online animation features and cartoons; and (ii) online cultural products that are converted from music entertainment, games, performance programs, performing arts, artworks and animation features and cartoons and disseminated via the Internet. Pursuant to the Internet Culture Measures, an entity that intend to commercially engage in any of the following types of activities are required to obtain an Online Culture Operating Permit from the applicable provincial level culture administrative authority:

- the production, duplication, import, distribution or broadcasting of online cultural products;
- the publication of online cultural products on the Internet or transmission of online cultural products via an information network, such as the Internet and mobile networks, to a computer, fixed-line or mobile phones, television sets or gaming consoles for the purpose of browsing, reviewing, using or downloading such products by online users; or
- exhibitions or contests related to online cultural products.

The Electronic Publication Rules regulate the production, publishing and importation of electronic publication in the PRC and outline a licensing system for business operations involving electronic publishing. Under the Electronic Publication Rules and other regulations issued by GAPP, online games are classified as a type of electronic production and publishing of online games is required to be done by licensed electronic publishing entities with standard publication codes. If a PRC company is contractually authorized to publish foreign electronic publications, it must obtain the approval of, and register the copyright license contract with, GAPP.

Pursuant to the Tentative Measures on Internet Publication, or the Internet Publication Measures, jointly promulgated by MII and GAPP and effective on August 1, 2002, Internet publishers must secure approval, or the Internet Publication license, from GAPP to conduct Internet publication activities, including operating of online games.

On September 28, 2009, GAPP and the National Office of Combating Pornography and Illegal Publications jointly published a circular prohibiting foreign investors from investing and engaging in the operation of online games services by any forms of wholly foreign-owned enterprise, Sino-foreign joint-venture or cooperation. Under this notice, foreign investors cannot control and participate in the operation of online games services provided by domestic companies in any indirect forms, such as incorporating other joint-ventures, signing relevant agreements, or providing technical supports. This circular further states that all the online games must be screened by GAPP through advanced approvals before they are operated online, and any updated online game versions or any change to the online games are subject to further approvals before they can be operated online.

On June 3, 2010, Ministry of Culture issued the *Provisional Regulations for the Administration of Online Games*, which applies to business activities relating to online game development and operation and virtual currencies issuance and trading. Pursuant to this regulation, business entities are required to obtain a Online Culture Operating Permit prior to commencing their online game operation. Game operators must file separate applications for virtual currencies issuance and trading. Regarding virtual currencies trading, game operators can only issue virtual currencies in exchange of service they provide themselves rather than trading for service or products of the third parties. Game operators cannot

appropriate advance payments from players. Game operators are not allowed to provide trading service of virtual currencies to minors. Records of all transactions in the accounts shall be kept for minimum 180 days.

On November 20, 2006, Ministry of Culture issued *Several Suggestions on the Development and Administration of the Internet Music*, or the Suggestions, which became effective on November 20, 2006. The Suggestions, among other things, reiterate the requirement for Internet service providers to obtain an Online Culture Operating Permit to operate any business involving Internet music products. In addition, foreign investors are prohibited from operating Internet culture businesses. However, the laws and regulations on Internet music products are still evolving, and there have not been any provisions stipulating whether or how music videos will be regulated by the Suggestions.

On August 18, 2009, Ministry of Culture issued the *Notice on Strengthening and Improving the Content Review of Online Music*. According to this notice, only "Internet culture operating entities" approved by Ministry of Culture may engage in the production, release, dissemination (including providing direct links to music products) and importation of online music products. Online music content shall be reviewed by or filed with Ministry of Culture. Internet culture operating entities should establish a strict system for self-monitoring online music content and set up a special department in charge of such monitoring.

Both Tianying Jiuzhou and Yifeng Lianhe are currently operating online games businesses. Tianying Jiuzhou also provides Internet music products on our website. As of the date of this prospectus, Tianying Jiuzhou has been granted the Online Culture Operating Permit with a permitted scope including the operation of online music, art and entertainment products, online game products (including virtual currencies for online games), art products, play performance, animation products and organization of exhibition or race of the online cultural products. Tianying Jiuzhou has also obtained an Internet Publication License from GAPP with respect to books and periodicals published on the Internet, including the mobile Internet, and online and mobile games. Yifeng Lianhe, which generates a small amount of our online game service revenues, has not obtained an Online Culture Operation Permit or an Internet Publication License, though it plans to apply for such licenses. For more information regarding regulatory risks of our online games business, see "Risk Factors—Risks Relating to Our Business and Industry—If we fail to obtain or maintain all applicable permits and approvals relating to online games, our ability to conduct our online game business and certain other businesses could be affected and we could be subject to penalties and other administrative sanctions."

In addition, to comply with the laws and regulations on the content requirements of Internet music products, our content examination team reviews the content of online music products provided on our website.

### **Regulation of Internet News Dissemination**

Pursuant to the *Provisional Regulations for the Administration of Internet Websites Engaging in News Publication Services* and the *Provisions for the Administration of Internet News Information Services*, each promulgated by the State Council Information Office, or the SCIO, and MII, which became effective as of November 7, 2000 and September 25, 2005, respectively, websites established by non-news organizations may publish news released by certain official news agencies but may not publish news generated by themselves or news sourced elsewhere. In order to disseminate news, such websites must satisfy the relevant requirements set forth in the applicable regulations and have acquired approval from SCIO after securing permission from the news office of the provincial-level government. In addition, websites intending to publish news released by the aforementioned news agencies must enter into agreements with the respective organizations, and file copies of such agreements with the news office of the provincial-level government.

In order to comply with these laws and regulations, we submitted an application to SCIO for the Internet news license. However, we have not been granted such license as of the date of this prospectus



and cannot assure you that we may be able to obtain one. See "Risk Factors—Risks Relating to Our Business and Industry—Our lack of an Internet news license may expose us to administrative sanctions, including an order to cease our Internet information services that provide political news or to cease the Internet access services provided by third parties to us, In 2010, 42.0% of our total revenues were derived from Internet information services and services that relied on Internet access services from third parties."

### **Regulation of Internet Publication**

GAPP is the government agency regulating publishing activities in the PRC. On June 27, 2002, MII and GAPP jointly promulgated the *Tentative Administration Measures on Internet Publication*, or the Internet Publication Measures, which took effect on August 1, 2002. The Internet Publication Measures require Internet publishers to secure approval, or the Internet Publication License, from GAPP to conduct Internet publication activities. The term "Internet publication" is defined as an act of online dissemination where Internet information service providers select, edit and process works created by themselves or others (including content from books, newspapers, periodicals, audio and video products, electronic publications, and other sources that have already been formally published or works that have been made public in other media) which they then post on the Internet or transmit via the Internet for browsing, use or downloading by the public. The Internet Publication Measures also provide the detailed qualifications and application procedures for obtaining an Internet Publication License.

User generated content, the programs we select, produce and/or edit for users' browsing, reading or downloading or our online games may be deemed a kind of "Internet publication" and the relevant authority could require us to obtain an Internet Publication License. Tianying Jiuzhou has obtained an Internet Publication License from GAPP, however, Yifeng Lianhe has not obtained this license. See "Risk Factors—Risks Relating to Our Business and Industry—If we fail to obtain or maintain all applicable permits and approvals relating to online games, our ability to conduct our online game business and certain other businesses could be affected and we could be subject to penalties and other administrative sanctions."

### **Regulation of Internet Bulletin Board Services**

MI I promulgated the *Administrative Measures on Internet Bulletin Board Services*, or the BBS Measures, on November 6, 2000. The BBS Measures require that ICP service operators providing bulletin boards, discussion forums, chat rooms or similar services, or BBS services, apply for, and obtain specific approval from the telecommunications authorities, if they are commercial ICP service operators, or to make specific filing with the telecommunications authorities if they are noncommercial ICP service operators. Moreover, ICP service operators must display in a conspicuous location on their BBS sites their ICP License numbers, rules of BBS and the possible legal liabilities for improper comments.

Tianying Jiuzhou has obtained the approval from the Beijing Branch of MII for operation of BBS services.

### **Regulation of Short Message Services**

MI I issued the *Notice on Certain Issues Regarding Standardizing Short Message Services* on April 15, 2004, specifying that only those information service providers holding the relevant license can provide short message services in the PRC. Such notice also specifies that information service providers shall examine the contents of short messages and automatically record and keep for five months the time of sending and receiving the short messages, the mobile numbers or codes of the sending terminal and receiving terminal of the short messages.

In order to comply with these laws and regulations, Tianying Jiuzhou and Yifeng Lianhe have obtained ICP licenses for provision of information via mobile networks. In addition, we have certain

personnel to examine and screen on contents of short messages and keep the relevant records as required by the law.

### **Regulation of Telecommunications Networks Code Number Resources**

On January 29, 2003, MII issued the *Administrative Measures on Telecommunications Networks Code Number Resources*, or the Code Number Measures, to regulate code numbers, including those of mobile communications networks. According to such administrative measures, entities which apply for code numbers to be used in a trans-provincial range shall apply to MIIT, and entities which apply for code numbers to be used within provincial-level administrative regions shall apply to MIIT at the provincial level. Such administrative measures also specify the qualification requirements for code number applicants, required application materials and the application procedures.

In June 2006, MII issued the *Administrative Measures on Application, Distribution, Usage and Withdrawal of SMS Services Access Codes*. According to such administrative measures, the administration and usage of services relating to SMS short codes shall comply with the Code Number Measures. Such administrative measures also specify that operators who provide services relating to SMS short codes across provinces or in the territory of the whole country shall file with the relevant provincial-level counterparts of MII.

Each of Tianying Jiuzhou and Yifeng Lianhe has been granted the code members to be used in a trans-provincial range and has completed the filing in most of the provinces, except (i) with respect to Tianying Jiuzhou, in Inner Mongolia, Gansu, Ningxia and (ii) with respect to Yifeng Lianhe, in Fujian, Sichuan, Shanxi, Guizhou, Gansu, Ningxia. See "Risk Factors—Risks Relating to Our Business and Industry—Failure to fully comply with PRC regulations regarding value-added telecommunications services may subject us to fines and other legal or administrative sanctions."

### **Regulation of Certain Internet Content**

#### ***Internet Medicine Information***

The *Administration Measures on Internet Medicine Information Service* issued by The State Food and Drug Administration, or the SFDA, and related implementing rules and notices govern the classification, application, approval, contents, qualifications and requirements for Internet medicine information services. An ICP service operator that provides information regarding medicine or medical equipment must obtain an Internet Medicine Information Service Qualification Certificate from the applicable provincial level counterpart of SFDA.

#### ***Internet Medical Care Information***

The PRC Ministry of Health promulgated the *Administrative Measures on Internet Medical Care Information Services* on May 1, 2009. Pursuant to these measures, an ICP service operator that provides information regarding medical care must obtain an Internet Medical Care Information Consent Letter from the applicable health department at the provincial level. The effective period of such consent letters is two years.

Certain of our verticals contain medicine-related and medical care information. We currently do not have such consent letter or qualification certificate, but have engaged an agency to assist us in applying for such certificate and consent letter. We cannot assure you that we may be able to obtain them. See "Risk Factors—Risks Relating to Our Business and Industry—Failure to obtain certain permits for our health and Chinese medicine verticals would subject us to penalties."

## **Regulation of Internet Privacy**

The PRC Constitution states that PRC law protects the freedom and privacy of communications of citizens and prohibits the infringement of such rights. In recent years, PRC government authorities have passed regulations on Internet use to protect personal information from unauthorized disclosure. The Internet Measures prohibit an ICP service operator from insulting or slandering a third party or infringing upon the lawful rights and interests of a third party. Pursuant to the BBS Measures, ICP service 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, unless required by law. The regulations further authorize the relevant telecommunications authorities to order ICP service operators to rectify unauthorized disclosures. ICP service operators are subject to legal liability if unauthorized disclosure results in damages or losses to users. The PRC government, however, has the power and authority to order ICP service operators to turn over personal information if an Internet user posts any prohibited content or engages in illegal activities on the Internet.

Our platform is open to Internet users for uploading text and images. As a result, content posted by our users may expose us to allegations by third parties of invasion of privacy. Though our users agree not to use our services in a way that is illegal, given the volume of content uploaded, it is not possible to identify and remove all potentially infringing content uploaded by our users and we may therefore be subject to litigations or claims in connection with invasion of user privacy.

## **Regulation of Advertising Business**

The State Administration for Industry and Commerce, or SAIC, is the government agency responsible for regulating advertising activities in the PRC.

According to PRC Advertisement Law and relevant rules and regulations, companies that engage in advertising activities must obtain from SAIC or its local branches a business license which specifically includes advertising within its business scope. PRC advertising laws and regulations set forth certain content requirements for advertisements in the PRC including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisers, advertising agencies, and advertising distributors are required to ensure that the content of the advertisements they prepare or distribute is true and in full compliance with applicable law. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for their advertisements and verify that the content of the advertisements complies with applicable PRC laws and regulations. Prior to distributing advertisements that are subject to government censorship and approval, advertising distributors are obligated to verify that such censorship has been performed and 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 corrections of the misleading information. In circumstances involving serious violations, SAIC or its local branches may revoke violators' licenses or permits for their advertising business operations.

In order to comply with these laws and regulations, our advertising contracts require that all advertising agencies or advertisers that contract with us must examine the advertising content provided to us to ensure that such content are truthful, accurate and in full compliance with PRC laws and regulations. In addition, we have established a task force to review all advertising materials to ensure the content does not violate relevant laws and regulations before displaying such advertisements, and we also request relevant advertiser to provide proof of governmental approval if an advertisement is subject to special government review.

## **Regulation of Information Security and Censorship**

Applicable PRC laws and regulations specifically prohibit the use of Internet infrastructure where it may breach public security, distribute content harmful to the stability of society or disclose state secrets. It is mandatory for Internet companies in the PRC to complete security filing procedures and regularly update information security and censorship systems for their websites with the local public security bureau. In addition, the newly amended *Law on Preservation of State Secrets*, which became effective on October 1, 2010, provides that whenever an Internet service provider detects any leakage of state secrets in the distribution of online information, it should stop the distribution of such information and report such violation to the state security and public security authorities. Upon request of state security, public security or state secrecy authorities, the Internet service provider must delete any contents on its website that may lead to disclosure of state secrets. Failure to do so on a timely and adequate manner may subject the Internet service provider to liability and certain penalties enforced by the State Security Bureau, the Ministry of Public Security and/or MIIT or their respective local counterparts.

To comply with these laws and regulations, we have completed the mandatory security filing procedures with the local public security authorities, and regularly updated the information security and content-filtering systems with newly issued content restrictions as required by the relevant laws and regulations.

## **Regulation of Copyrights over Internet**

In order to address copyright issues relating to the Internet, the PRC Supreme People's Court adopted the *Interpretations on Some Issues Concerning Applicable Laws for Trial of Disputes over Internet Copyright*, or the Interpretations. The Interpretations establish joint liability for Internet service providers if they participate in, assist in or abet infringing activities committed by any other person through the Internet, are aware of infringing activities committed by their website users through the Internet or fail to remove infringing content or take other action to eliminate infringing consequences after receiving warning with evidence of such infringing activities from the copyright holder. In addition, Internet service providers will be held liable for copyright infringement if they knowingly upload, transmit or provide any methods, equipment or materials which are intended to bypass or disrupt circumvention technologies designed to protect copyrights of other people. Upon request, the Internet service providers should provide the copyright holder with the registration information of the alleged violator for claiming the infringing liabilities, provided that such copyright holder has produced relevant evidence of identification, copyright ownership and infringement. Where the Internet service provider takes measures to remove the infringing content after receiving warning from the copyright holder with good evidence, the court will not support the claim of the alleged violator against such Internet service provider for breach of contract. According to the Copyright Law, an infringer must be subject to various consequences, which include stopping the infringement, eliminating the damages, apologizing to the copyright owners and compensating the loss of copyright owners. The Copyright Law further provides that the infringer shall compensate the actual loss suffered by the copyright owner. If the actual loss of the copyright owner is difficult to determine, the illegal income received by the infringer as a result of the infringement shall be deemed as the actual loss or if such illegal income is difficult to be determine, the court may decide the amount of the actual loss up to RMB500,000.

Under the applicable laws and regulations, where a copyright holder finds that any content communicated through the Internet infringes upon its copyright and sends a notice to the ICP service operator, the ICP service operator shall immediately take measures to remove the relevant content. Such ICP service operator is also required to retain all infringement notices for six months and to record the content, display time and IP addresses and the domain names related to the infringement for 60 days. Where an ICP service operator removes relevant content of an internet content provider according to the notice of a copyright holder, the internet content provider may deliver a counter-

notice to both the ICP service operator and the copyright holder, stating that the removed contents do not infringe upon the copyright of other parties. After the delivery of such counter-notice, the ICP service operator may immediately reinstate the removed contents and shall not bear administrative legal liability for such reinstatement. Where an ICP service operator is clearly aware of the infringement by an internet content provider of another's copyright through the Internet, or, although not being aware of such activity, fails to take measures to remove relevant contents upon receipt of the copyright owner's notice, and as a result, damages public interests, the ICP service operator could be subject to an order to stop the tortious act and other administrative penalties such as confiscation of illegal income and fines. Where there is no evidence to indicate that an ICP service operator is clearly aware of the facts of tort, or the ICP service operator has taken measures to remove relevant contents upon receipt of the copyright owner's notice, the ICP service provider shall not bear the relevant administrative legal liabilities.

Our content licensors and users have entered into agreements with us in which they make an undertaking not to provide or upload any contents that may have infringed on the copyright of any third parties. However, we cannot ensure you that our content licensors or users who upload contents to our website will not infringe on the copyright of any third parties and we could delete any infringed contents in a time manner or at all. We may be consequently subject to copyright infringement claims arising thereof. See "Risk Factors—Risks Relating to Our Business and Industry—We have been and expect we will continue to be exposed to intellectual property infringement and other claims, including claims based on content posted on our website, which could be time-consuming and costly to defend and may result in substantial damage awards and/or court orders that may prevent us from continuing to provide certain of our existing services."

### **Regulation of Foreign Exchange Control and Administration**

Under the *Foreign Exchange Administration Rules*, Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. As for capital account items, such as direct investments, loans, security investments and the repatriation of investment returns, however, the conversion of foreign currency is still subject to the approval of, or registration with, SAFE or its competent local branches. SAFE approval is not necessary for the conversion of Renminbi for foreign currency payments for current account items except as otherwise explicitly provided by laws and regulations. Under the *Administration Rules of the Settlement, Sale and Payment of Foreign Exchange*, enterprises may only buy, sell or remit foreign currencies at banks that are authorized to conduct foreign exchange business after the enterprise provides valid commercial documents and relevant supporting documents and, in the case of certain capital account transactions, after obtaining approval from SAFE or its competent local branches. If we provide loans to our PRC subsidiary, the total amount of such loans may not exceed the difference between its total investment as approved by the foreign investment authorities and its registered capital at the time of the provision of such loans. Such loans need to be registered with the SAFE, which usually takes no more than 20 working days to complete. The cost of completing such registration is minimal. Capital investments by enterprises outside of the PRC are subject to further limitations, which include approvals by the Ministry of Commerce, SAFE and the National Development and Reform Commission, or their respective competent local branches.

On August 29, 2008, SAFE issued the *Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises*, or Circular No. 142. Pursuant to Circular No. 142, Renminbi capital obtained from settlement of the foreign currency capital of a foreign-invested enterprise must be used within the business scope as approved by the applicable government authority and unless otherwise specifically provided by law, such Renminbi capital cannot be used for domestic equity investments. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign

currency registered capital of a foreign-invested company. As a result, the use of such Renminbi capital may not be altered without the SAFE's approval, and such Renminbi capital may not be used to repay Renminbi loans if the relevant loan proceeds have not been used. Violations of the Circular No. 142 could result in severe monetary fines or penalties.

### **Regulation of Foreign Exchange Registration of Offshore Investment by PRC Residents**

On October 21, 2005, SAFE issued the *Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments via Overseas Special Purpose Companies*, or SAFE Circular No. 75, which went into effect on November 1, 2005. Circular No. 75 and the related rules provide that if PRC residents establish or acquire direct or indirect interest of offshore special purpose companies, or offshore SPVs, for the purpose of financing these offshore SPVs with assets of, or equity interests in, an enterprise in the PRC, or inject assets or equity interests of PRC entities into offshore SPVs, they must register with local SAFE branches with respect to their investments in offshore SPVs. Circular No. 75 also requires PRC residents to file changes to their registration if their offshore SPVs undergo material events such as capital increases or decreases, share transfers or exchanges, mergers or divisions, long-term equity or debt investments, and provisions of guaranties to foreign parties. SAFE subsequently issued relevant guidance to its local branches with respect to the operational process for the SAFE registration under Circular No. 75, which standardizes stringent supervision for registrations under Circular No. 75 and imposed obligations on onshore subsidiaries of offshore SPVs to coordinate with and supervise PRC residents holding direct or indirect interest in offshore SPVs to complete the SAFE registration process. Under the relevant SAFE rules, failure to comply with the registration procedures set forth in Circular No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore companies of offshore SPVs, including the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from such offshore entity, and may also subject relevant PRC residents and onshore companies to penalties under PRC foreign exchange administration regulations.

We understand that the aforesaid registration requirement under SAFE Circular No. 75 and the relevant implementing rules do not apply to our PRC subsidiary or our PRC resident beneficial owners due to the following reasons: (i) our company was incorporated and controlled by Phoenix TV, a Hong Kong listed company, rather than any PRC residents defined under SAFE Circular No. 75, (ii) none of the former or current shareholders of our PRC consolidated affiliated entities established or acquired interest in our company by injecting the assets of, or equity interest in, our consolidated affiliated entities, and (iii) all of our PRC resident beneficial owners obtained interest in our company through exercise of options granted to them under our share incentive plan. However, we cannot assure you that SAFE or its local branch would hold the same opinion with us and the relevant government authorities have broad discretion in interpreting these rules and regulations. See "*Risk Factors—Risk Relating to Doing Business in China—If the PRC government finds that our PRC beneficial owners are subject to SAFE registration requirement under SAFE Circular No. 75 and the relevant implementing rules and our PRC beneficial owners fail to comply with such registration requirements, it may subject these PRC beneficial owners to personal liability and limit our ability to acquire PRC companies or to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute profits to us, or otherwise materially and adversely affect us.*"

### **SAFE Regulation of Employee Share Options**

On March 28, 2007, SAFE issued the *Processing Guidance on Foreign Exchange Administration of Domestic Individuals Participating in the Employee Stock Ownership Plans or Stock Option Plans of Overseas-Listed Companies*, or the Stock Option Rule. According to the Stock Option Rule, if a PRC domestic individual participates in any employee stock ownership plan or stock option plan of an overseas listed company, a qualified PRC domestic agent or the PRC subsidiaries of such overseas

listed company shall, among other things, file, on behalf of such individual, an application with SAFE to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock purchase or stock option exercise as PRC domestic individuals may not directly use overseas funds to purchase stocks or exercise stock options. Such PRC individuals' foreign exchange income received from the sale of stocks and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in the PRC opened and managed by the PRC subsidiaries of the overseas listed company or the PRC agent before distribution to such individuals.

Our PRC citizen employees who have been granted share options, or PRC optionees, will be subject to the Stock Option Rule when our company becomes an overseas listed company upon the completion of this offering. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rule and the Stock Option Rule, we and/or our PRC optionees may be subject to fines and other legal sanctions. We may also face regulatory uncertainties that could restrict our ability to adopt additional option plans for our directors and employees under PRC law.

### **Regulation of Dividend Distributions**

Wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise in the PRC is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until its cumulative total reserve funds reaches 50% of its registered capital. The board of directors of a wholly foreign-owned enterprise has the discretion to allocate a portion of its aftertax profits to its employee welfare and bonus funds. These reserve funds, however, may not be distributed as cash dividends. Under the EIT Law and its implementation rules, dividends payable by a foreign-invested enterprise in the PRC to its foreign investor who is a non-resident enterprise will be subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a lower withholding tax rate.

### **Regulation of Overseas Listings**

On August 8, 2006, six PRC regulatory agencies, namely, the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, SAIC, CSRC and SAFE, jointly adopted the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the M&A Rules, which became effective on September 8, 2006 and were amended in June 22, 2009. The M&A Rules purport, among other things, to require that offshore special purpose vehicles, or SPVs, that are controlled by PRC companies or individuals and that have been formed for overseas listing purposes through acquisitions of PRC domestic interest held by such PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings. While the application of the M&A Rules remains unclear, our PRC counsel has advised us that based on its understanding of the current PRC laws, rules and regulations and the M&A Rules, prior approval from the CSRC is not required under the M&A Rules for the listing and trading of our ADSs on the NYSE because we have not acquired any equity interest or assets of a PRC domestic company owned by PRC companies or individuals, as defined under the M&A Rules, that are our beneficial owners after the effective date of the M&A Rules.

However, our PRC counsel has further advised us uncertainties still exist as to how the M&A Rules will be interpreted and implemented and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. If CSRC or another PRC regulatory agency subsequently determines that prior CSRC

approval was required, we may face regulatory actions or other sanctions from CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations, limit our operating privileges, delay or restrict the repatriation of the proceeds from this offering into the PRC or payment or distribution of dividends by our PRC subsidiaries, or take other actions that could materially adversely affect our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if CSRC later requires that we obtain its approval for this offering, we may be unable to obtain a waiver of CSRC approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding CSRC approval requirements could have a material adverse effect on the trading price of our ADSs.



## MANAGEMENT

### Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of the date of this prospectus.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Keung Chui	59	Chairman of the Board of Directors
Shuang Liu	41	Director, Chief Executive Officer
Ya Li	40	Director, Chief Operating Officer
Daguang He	53	Director
Qin Liu	37	Director <sup>(1)</sup>
Ka Keung Yeung	51	Director <sup>(2)</sup>
Carson Wen	58	Independent Director <sup>(2)</sup>
Jerry J. Zhang	50	Independent Director <sup>(2)</sup>
Qianli Liu	35	Chief Financial Officer
Yulin Wang	35	Executive Vice President of Mobile, Video and Digital Reading

- (1) Mr. Liu will resign as our director effective immediately prior to the declaration of effectiveness of the registration statement of which this prospectus forms a part.
- (2) Mr. Yeung has accepted the appointment to be our director and Mr. Wen and Mr. Zhang have accepted the appointments to be our independent directors, in each case effective immediately prior to the declaration of effectiveness of the registration statement of which this prospectus forms a part.

*Keung Chui* has served as the chairman of our board of directors since the establishment of Phoenix New Media Limited in November 2007. Mr. Chui has served as the deputy chief executive officer in charge of administration of Phoenix Satellite Television Company Limited since 1998. He served as vice chairman of the board of directors of Hong Kong Letian Development Limited from 1993 to 1996. From 1980 to 1992, Mr. Chui worked at China Central People's Radio Station, where he served as a journalist, editor and senior editor. Mr. Chui has served as a director of Phoenix Satellite Television Company Limited since 1996 and is a director of numerous subsidiaries of Phoenix TV. Mr. Chui has also served as a director of PCNE Holdings Limited since 2000, a director of Shenzhen Wutongshan TV and Broadcasting Co., Ltd. since 2001 and a director of Green Lagoon Investments Limited since 2006. Mr. Chui received a bachelor's degree from Fudan University.

*Shuang Liu* has served as our director and chief executive officer since the establishment of Phoenix New Media Limited in November 2007. Mr. Liu has been employed by Phoenix TV from 2001 to the present, and where he has served in various managing positions, including chief director of business development and vice president in charge of investment, finance, investor relationships, legal affairs, public affairs and development of the finance channel. Before joining Phoenix TV, Mr. Liu worked at Simpson Thacher & Bartlett LLP, Milbank, Tweed, Hadley & McCloy LLP and Morrison & Foerster LLP from 1996 to 2001. Mr. Liu received a J.D. degree from Duke University Law School, and a bachelor's degree from University of International Business & Economic.

*Ya Li* has served as our director since the establishment of Phoenix New Media Limited in November 2007. Mr. Li joined our company in June 2006 as our chief operating officer and jointly served as our chief financial officer until November 2010. Prior to joining us, Mr. Li served as chief operating officer and chief financial officer of Techedge Inc. from 2004 to 2006, and as the president of the U.S. subsidiary of China Quantum Communications Inc. from 2002 to 2004. Mr. Li founded and served as the chief executive officer of Global Villager Inc., a New York-based Internet startup, starting

in 1995 until the company was acquired by the then NASDAQ-traded Startec Global Communications Inc. in 2000. From 1993 to 1999, Mr. Li worked as a software engineer and senior Internet advisor to various companies, including Verizon Communications Inc., Donaldson, Lufkin & Jenrette, Lehman Brothers and Morgan Stanley. He has served on the boards of directors of the U.S. China Chamber of Commerce, Chinese Finance Society, National Council of Chinese Americans, and Council on U.S.-China Affairs and was appointed Visiting Research Fellow at the New Media Marketing Communications Research Centre of Beijing University in December 2009. Mr. Li received a two-year Executive Management Education from Wharton School of Business, a M.S. in Computer Science from Temple University and a four-year undergraduate education in control systems engineering from the University of Science & Technology of China.

*Daguang He* serves as vice president of finance at Phoenix Satellite Television Company Limited and has served as our director since 2009. Mr. He joined Phoenix TV in 2001 and has served in various managing positions, such as chief financial officer of the Chinese business sector and deputy chief executive officer. From 1990 to 2001, Mr. He worked at China International Water and Electric Corporation, and served in various positions, including vice overseas project manager, vice director of finance, vice chief accountant and deputy chief accountant. From 1983 to 1985, Mr. He worked at China International Water and Electric Corporation, where he was primarily responsible for project accounting, commerce and contract management. From 1985 to 1990, Mr. He served as project manager and cooperation director in charge of finance, business affairs at one of Taisei Corporation's joint venture subsidiaries. Mr. He received a bachelor's degree in Economics from Shanxi University of Finance & Economics.

*Qin Liu* has served as our director since November 2009 but will resign as our director effective immediately prior to the declaration of effectiveness of the registration statement that includes this prospectus. Mr. Liu have been a director of Morningside China TMT Fund I, L.P. since its formation in 2008, where he is primarily responsible for managing early stage investments in the Internet, wireless, media, entertainment and consumer services sectors in China. Mr. Liu also serves as a director in several non-public portfolio companies of the fund. From 2000 through 2008, Mr. Liu worked at Morningside IT Management Services (Shanghai) Co., Ltd. where he established its print media business and served as publisher of The Bund, an upscale lifestyle weekly publication. From 1993 to 1997, Mr. Liu held an engineering managerial role in Wuhan Iron and Steel Company. Mr. Liu received a MBA degree from China Europe International Business School and a bachelor's degree in Electric Engineering from Beijing Science & Technology University.

*Ka Keung Yeung* will become a director of our company immediately prior to the declaration of effectiveness of the registration statement that includes this prospectus. Mr. Yeung is the executive vice president and chief financial officer of Phoenix Satellite Television Company Limited in charge of corporate finance, human resources and administration. He is also the qualified accountant and company secretary of Phoenix Satellite Television Company Limited. Mr. Yeung joined Phoenix Satellite Television Company Limited in March 1996 and has been in charge of all of such company's internal and external financial management and arrangements, as well as the supervision of administration and personnel matters since that time. Mr. Yeung received a B.A. from the University of Birmingham and remained in the United Kingdom until 1992 after obtaining his qualification as a chartered accountant. Upon returning to Hong Kong, he worked at Hutchison Telecommunications and Star Television Limited in the fields of finance and business development. Mr. Yeung currently serves as an independent director for The9 Limited (NASDAQ:NCTY) and Little Sheep Group Limited (HKSE: 968).

*Carson Wen* will become an independent director of our company immediately prior to the declaration of effectiveness of the registration statement that includes this prospectus. Mr. Wen is a partner at Jones Day LLP, and has more than 30 years of experience in business, corporate and securities law. He is a representative of the National People's Congress of the PRC, and vice chairman

of the Democratic Alliance for the Betterment and Progress of Hong Kong. Mr. Wen is a Justice of the Peace of Hong Kong and was awarded the Bronze Bauhinia Star by the Hong Kong government for his contribution to economic ties between Hong Kong, the PRC and the rest of the world. He was a guest professor of the Law School of Sun Yat-Sen University (Zhongshan University) in Guangzhou, China, a founding and Executive Committee member of the China M&A Association and sits on the board of numerous organizations, including the China Africa Business Council (Hong Kong), the Pacific Basin Economic Council and the Hong Kong Professional Consultants Association. Mr. Wen holds a B.A. and M.A. degree in Law from Oxford University, where he was a Younger Prizeman in law at Balliol College, and a B.A. in Economics from Columbia University.

*Jerry J. Zhang* will become an independent director of our company immediately prior to the declaration of effectiveness of the registration statement that includes this prospectus. Mr. Zhang is a senior managing director of CITIC Capital Holdings Limited, a position that he has held since June 2009. Prior to joining CITIC Capital Holdings Limited, Mr. Zhang was a managing director in the investment banking division of Deutsche Bank in Hong Kong from August 2006 to June 2009. He served as a managing director and the head of investment banking of CITIC Capital Markets Holdings Limited in Hong Kong from March 2003 to July 2006 and, prior to that time, as executive director in the communications, media and entertainment group of the investment banking department of Goldman Sachs in Hong Kong from April 2001 to January 2003. Mr. Zhang held the positions of associate, vice president and director at Solomon Smith Barney from August 1994 to March 2001. Prior to joining Solomon Smith Barney, he served as accounting manager for Town & Country Homes in Chicago from January 1990 to December 1993 and as accountant, audit senior and supervisor at Ernst & Young in Chicago and Hong Kong. Mr. Zhang held CPA qualifications in China and the State of Kentucky, both of which he has surrendered voluntarily. He holds an M.B.A. from the University of Chicago, an M.A. in Accounting from the Ministry of Finance Graduate School in the PRC and a B.A. degree from Inner Mongolia University.

*Qianli Liu* joined our company as chief financial officer in December 2010. Ms. Liu has eight years of experience in investment banking and corporate finance. Before joining us, Ms. Liu served as the chief financial officer of ChinaEDU Corp. (NASDAQ: CEDU) from 2008 to 2010, and prior to that, as chief financial officer of MainOne Inc., an information technology company, from 2007 to 2008. From 2003 to 2007, Ms. Liu was a vice president at Lehman Brothers investment banking in Hong Kong and an associate at Lehman Brothers investment banking in New York. From 2000 to 2001 Ms. Liu was a vice president of Trulycustom Construction, Inc., a company specializing in e-commerce of which she was also the co-founder. Ms. Liu received a MBA from MIT Sloan School of Management and a bachelor's degree in Mathematics and Economics from Dartmouth College.

*Yulin Wang* joined our company in March 2009 and has served as an executive vice president in charge of the development and management of our mobile, video and online reading businesses. Mr. Wang has 10 years of experience in the Internet and mobile businesses. Before joining us, Mr. Wang served as the chief operating officer of ccnec.com, the largest offline PC game distributor in China from 2007 to 2008. From 2004 to 2007, Mr. Wang served as vice president of A8 Music Group in charge of the company's Internet business and digital music project. From 2001 to 2004, Mr. Wang served as the chief manager of the phoenixtv.com operation center. Mr. Wang received an Executive MBA from Tsinghua University, and a bachelor's degree from Nankai University.

## **Employment Agreements**

Fenghuang On-line entered into employment agreements with each of its executive officers. All of these agreements are governed by PRC law. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate an executive officer's employment for certain acts of the officer, including non-disclosure of certain material information or providing false information in the officer's employment application, a conviction of a criminal offense, a material

violation of our internal regulations and rules, gross neglect of duty which causes material losses to us or establishing other labor relations with other employers during a term of employment with us. In addition, we may terminate the employment of an employee by providing 30 days' written notice or upon the payment of one month's salary in lieu of such notice (i) if the employee suffers from an illness or has sustained an injury that is not work-related and is unable to resume his work, (ii) is continuously unable to satisfactorily perform his or her job after receiving training or (iii) if there is a material change in the circumstances pursuant to which the employment agreement was entered into and the employee cannot perform his original contract and we and the employee cannot agree upon an amended employment agreement. Under such circumstances, such employee will be entitled to severance pay of up to one month salary for each year of employment with us. Under the PRC law, we cannot terminate the employment with an employee without cause.

An executive officer may terminate their employment at any time without cause upon 30-days advance notice to us.

### **Commitment and Non-competition Agreements**

We have also entered a letter agreement of commitment and non-competition with each of our key employees. According to the letter agreement, each executive officer agrees not to serve in any other position or engage in any other job or disclose any of our confidential information to third parties during the commitment period, which is from the date of the agreement to the earlier of (i) one year from an offering of our securities on an internationally recognized securities exchange, or (ii) such key employee's resignation from the company for cause or as approved by our board of directors. Each key employee further agrees not to participate or work for certain designated competitors of ours for a period of one year after the commitment period.

### **Board of Directors**

Our board of directors currently consists of five directors. Our shareholders' agreement, which we entered into in November 2009, provides that each of Morningside China TMT Fund I, L.P., and Intel Capital Corporation shall be entitled to designate one director respectively to the Board as long as each of them holds 3% or more of our ordinary shares on an as-converted basis, respectively, and that Phoenix TV is entitled to elect five directors to the Board. These director designation rights will terminate upon the closing of this offering. Under our second amended and restated memorandum and articles of association that will come into effect immediately prior to the completion of this offering, our board of directors will consist of seven directors. Our directors will be elected by the holders of our ordinary shares, which will include holders of our Class A ordinary shares and Class B ordinary shares.

A director is not required to hold any shares in the company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he or she is materially interested provided they have disclosed such interest to the board. The board may exercise all the powers of our company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of our company or of any third party.

### **Committees of the Board of Directors**

Prior to the closing of this offering, we intend to establish three committees under the board of directors: the audit committee, the compensation committee and the corporate governance and nominating committee. We intend to adopt a charter for each of the three committees prior to the closing of this offering. Each committee's members and functions are described below.

*Audit Committee.* Our audit committee will initially consist of Jerry J. Zhang and Carson Wen. Our board of directors has determined that each of Jerry J. Zhang and Carson Wen satisfies the

"independence" requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and Section 303A of the New York Stock Exchange Listed Company Manual, or the NYSE Manual. Jerry J. Zhang will be the chairman of our audit committee and meets the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. Our audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent auditors; and
- reporting regularly to our board of directors.

*Compensation Committee.* Our compensation committee will initially consist of Shuang Liu, Daguang He and Jerry J. Zhang. Our board of directors has determined that Jerry J. Zhang satisfies the "independence" requirements of Section 303A of the NYSE Manual. Our compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee will be responsible for, among other things:

- reviewing and recommending to the board with respect to the total compensation package for our three most senior executives;
- approving and overseeing the total compensation package for our executives other than the three most senior executives;
- reviewing and recommending to the board with respect to the compensation of our directors; and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

*Corporate Governance and Nominating Committee.* Our corporate and nominating committee will initially consist of Keung Chui, Shuang Liu and Carson Wen. Our board of directors has determined that Carson Wen satisfies the "independence" requirements of Section 303A of the NYSE Manual. Our corporate governance and nominating committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee will be responsible for, among other things:

- selecting and recommending to the board nominees for election or re-election to the board, or for appointment to fill any vacancy;

- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as the corporate governance and nominating committee itself;
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

### **Duties of Directors**

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the skills they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. A shareholder has the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- issuing authorized but unissued shares and redeem or purchase outstanding shares of our company;
- declaring dividends and other distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our share register.

### **Terms of Directors and Officers**

Our officers are elected by and serve at the discretion of the board of directors. Our directors are not subject to a term of office and hold office in accordance with the articles of association, which provide that at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that the chairman of the board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. A retiring director shall be eligible for re-election. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; or (ii) dies or is found by our company to be or becomes of unsound mind.

## Compensation of Directors and Executive Officers

For the year ended December 31, 2010, we paid an aggregate of approximately RMB4.4 million in cash to our directors and executive officers.

## Share Incentive Plans

In June 2008, we adopted the 2008 share option plan, and in March 2011, we adopted the 2011 restricted share and restricted share unit plan, together, the share incentive plans, to attract and retain the best available personnel, provide additional incentives to our employees, directors and consultants, and promote the success of our business. The share incentive plans provide for the grant of options, restricted shares and restricted share units, collectively referred to as "awards." The maximum number of shares which may be outstanding pursuant to all awards and which may be issued after the exercise of the awards under the share incentive plans is 96,000,000. As of the date of this prospectus, 19,008,200 restricted shares of our company, 5,602,855 contingently issuable shares, options to purchase 17,654,725 ordinary shares, and restricted share units obligating our company to issue and deliver 10,030,958 ordinary shares are outstanding.

**Plan Administration.** Our board of directors, or a duly authorized committee thereof, administers the share incentive plans. The board of directors or an authorized committee, as the case may be, will determine the participants to receive awards, the type and number of awards to be granted, the terms and conditions of each award grant.

**Award Agreements.** Awards granted under the share incentive plans are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

**Option Exercise.** The term of awards granted under the share incentive plans may not exceed ten years from the date of grant.

**Restricted Shares and Restricted Share Units.** Restricted ordinary shares granted under the 2011 restricted share and restricted share unit plan are subject to applicable vesting, transfer, forfeiture and other restrictions as set forth in the plan and, as applicable, in the award agreements. Each restricted share unit is an unsecured promise of our company to issue and delivery one ordinary share on a specified date, which unit is subject to applicable vesting, transfer, forfeiture and other restrictions as set forth in the plan and, as applicable, in the award agreements.

**Transfer Restrictions.** The right of a grantee in an award granted under the share incentive plans may not be transferred in any manner by the grantee other than by will or the laws of succession and, with limited exceptions, may be exercised during the lifetime of the grantee only by the grantee.

**Acceleration upon a Takeover Offer.** If a takeover offer for our company becomes unconditional or is approved by the necessary number of shareholders, as the case may be, the vesting of the awards shall be accelerated.

**Termination and Amendment.** Our board of directors has the authority to amend or terminate the share incentive plans subject to shareholder approval to the extent necessary to comply with applicable law. In addition, our shareholders may, by ordinary resolution, terminate our share incentive plans at any time.

**Lapse of Awards.** An award will lapse if the optionee ceases to be eligible by reason of, among other things, (i) illness, injury, disability or death; (ii) retirement; (iii) voluntary resignation; (iv) termination of employment for serious misconduct; and (v) breach of contract.

The table below sets forth, as of the date of this prospectus, the awards that we granted and are outstanding to our directors, executive officers and other employees, under our share incentive plans:

<u>Name</u>	<u>Ordinary Shares Underlying Outstanding Awards</u>	<u>Exercise Price or Purchase Price (US\$/Share)</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>
Shuang Liu	*	N/A	March 17, 2011	N/A
Ya Li	*	N/A	March 17, 2011	N/A
Qianli Liu	*	N/A	March 17, 2011	N/A
Yulin Wang	*	N/A	March 17, 2011	N/A
Other employees	43,031,238	\$ 0.03215	various dates**	May 25, 2018
Total	52,296,738			

\* Less than 1% of our total outstanding shares.

\*\* We granted awards to various employees under the share incentive plans in November 2008, July 2009, September 2009, January 2010, July 2010 and March 2011.



## PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our ordinary shares, as of the date of this prospectus, assuming the conversion of all preferred shares into Class A ordinary shares at a conversion ratio of one Series A convertible redeemable preferred share to 130,000,000 Class A ordinary shares, of:

- each of our directors and executive officers;
- each person known to us to own beneficially more than 3% of our ordinary shares; and
- each selling shareholders.

The calculations in the table below assume there are (i) 493,497,237 ordinary shares outstanding as of the date of this prospectus, including the conversion of all preferred shares to Class A ordinary shares assuming a 1:1 conversion rate, and (ii) ordinary shares outstanding immediately after the closing of this offering, including Class B shares and Class A shares, assuming the underwriters do not exercise their option to purchase additional ADSs and the entire assured entitlement distribution to Phoenix TV's shareholders is made in ADSs. Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Exchange Act. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of this offering, including through the exercise of any option, the vesting of any contingently issuable share, restricted share, restricted share unit or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary shares Beneficially Owned Prior to This Offering		Ordinary shares Being Sold in This Offering		Shares Beneficially Owned After This Offering <sup>(1)</sup>	
	Number	%	Number	%	Number <sup>(2)</sup>	% <sup>(3)</sup>
<b>Directors and Executive Officers:</b>						
Keung Chui	—	—				
Shuang Liu <sup>(4)</sup>	15,168,000	3.06				
Ya Li <sup>(5)</sup>	11,880,000	2.40				
Daguang He	—	—				
Qin Liu	—	—				
Qianli Liu <sup>(6)</sup>	*	*				
Yulin Wang <sup>(7)</sup>	*	*				
All Directors and Executive Officers as a Group <sup>(8)</sup>	33,568,000	6.68				
<b>Principal and Selling Shareholders:</b>						
Phoenix Satellite Television (B.V.I.) Holding Limited <sup>(9)</sup>	320,000,000	64.84				
Morningside China TMT Fund I, L.P. <sup>(10)</sup>	62,400,000	12.64				
Intel Capital Corporation <sup>(11)</sup>	52,000,000	10.54				
Bertelsmann Asia Investments AG <sup>(12)</sup>	15,600,000	3.16				

\* Less than 1% of our total outstanding shares.

(1) Assumes no exercise of the underwriters' option to purchase additional ADSs as set forth on the cover page of this prospectus.

(2) The ordinary shares held by Phoenix Satellite Television (B.V.I.) Holding Limited will be re-designated as Class B ordinary shares immediately prior to the completion of this offering.

- (3) For Phoenix Satellite Television (B.V.I.) Holding Limited, percentage of voting power is calculated by dividing the voting power beneficially owned by Phoenix Satellite Television (B.V.I.) Holding Limited by the voting power with respect to all of our Class A ordinary shares and Class B ordinary shares as a single class. Each holder of our Class B ordinary shares is entitled to 1.3 votes per Class B ordinary share and each holder of Class A ordinary shares is entitled to one vote per Class A ordinary share held by our shareholders on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders. Our Class B ordinary shares are convertible at any time by the holder into Class A ordinary shares on a one-for-one basis.
- (4) Represents 12,990,000 ordinary shares, and 2,178,000 restricted shares that will vest before July 15, 2011.
- (5) Represents 9,762,500 ordinary shares, and 2,117,500 restricted shares that will vest before July 15, 2011.
- (6) Represents restricted shares that will vest before July 15, 2011.
- (7) Represents ordinary shares, as well as restricted shares that will vest before July 15, 2011.
- (8) Represents 24,302,500 ordinary shares, and 9,265,500 restricted shares that will vest before July 15, 2011.
- (9) Represents 320,000,000 ordinary shares, which shares will be re-designated as Class B ordinary shares immediately prior to the completion of this offering. Phoenix Satellite Television (B.V.I.) Holding Limited is controlled by Phoenix Satellite Television Holdings Limited, a public company listed on the Hong Kong Stock Exchange. The registered office for Phoenix Satellite Television Holdings Limited is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (10) Represents 62,400,000 Class A ordinary shares issuable upon the conversion of 62,400,000 Series A convertible redeemable preferred shares assuming a 1:1 conversion rate. Morningside China TMT Fund I, L.P. is controlled by Morningside China TMT GP, L.P., its general partner, which is controlled by TMT General Partner Ltd., its general partner, which is controlled by a board directors comprised of the following natural persons: Qin Liu, Jianming Shi and Gerald Chan. The registered office for TMT General Partner Ltd. is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (11) Represents 52,000,000 Class A ordinary shares issuable upon the conversion of 52,000,000 Series A convertible redeemable preferred shares assuming a 1:1 conversion rate. Intel Capital Corporation, a Delaware corporation, is wholly owned by Intel Corporation, a public company listed on the Nasdaq. The registered office for Intel Capital Corporation, a Delaware corporation, is c/o Corporation Trust Company, 1209 Orange St., Wilmington, Delaware 19801, U.S.A.
- (12) Represents 15,600,000 Class A ordinary shares issuable upon the conversion of 15,600,000 Series A convertible redeemable preferred shares assuming a 1:1 conversion rate. Bertelsmann AG is the indirect beneficial owner of 15,600,000 Series A convertible redeemable preferred shares which are held directly by its wholly-owned subsidiary Bertelsmann Asia Investments AG. Bertelsmann Asia Investments AG is an investment fund used to finance Bertelsmann's strategic investments. Bertelsmann Stiftung owns 77.4% of the shares of Bertelsmann AG and the Mohn family owns the remaining 22.6% of the shares of Bertelsmann AG, each through intermediate shareholding companies. The Bertelsmann Verwaltungsgesellschaft, which is controlled by the Mohn family, controls Bertelsmann AG through intermediate shareholding companies. Mrs. Liz Mohn of the Mohn family exercises sole voting and investment power over these shares. The business address for Bertelsmann Asia Investments AG is Dammstrasse 19, 6300 Zug, Switzerland.

As of the date of this prospectus, none of our outstanding ordinary shares are held of record by any person in the United States, and a total of 52,000,000 Series A convertible redeemable preferred shares are held of record by one preferred shareholder in the United States.

Immediately prior to the completion of this offering, our second amended and restated memorandum and articles of association will become effective pursuant to which our share capital will be divided into Class A ordinary shares and Class B ordinary shares. All of our outstanding ordinary shares that are held by Phoenix TV (BVI) immediately prior to the completion of the offering will be re-designated as Class B ordinary shares. We will issue Class A ordinary shares represented by our ADSs in this offering. Holders of Class A ordinary shares are entitled to one vote per share, while the holder of Class B ordinary shares are entitled to 1.3 votes per share. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

#### **Assured Entitlement Distribution**

Pursuant to Practice Note 15 of the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Ltd., this offering constitutes a "spin-off" transaction and requires Phoenix TV, which is listed on the Stock Exchange of Hong Kong, to make available to its shareholders an "assured entitlement" to a certain portion of our shares in connection with this offering. Phoenix TV currently intends to provide an assured entitlement with an aggregate value of HK\$ (approximately US\$ ). The assured entitlement distribution will only be made if this offering is completed.

Phoenix TV intends to effect the assured entitlement distribution by providing to its shareholders a "distribution in specie," or distribution of our ADSs in kind, or assured entitlement ADSs, at a ratio of one assured entitlement ADS for every whole multiple of ordinary shares of our company held at the applicable record date for the distribution. The distribution will be made without consideration from Phoenix TV's shareholders. Phoenix TV shareholders who are entitled to fractional ADSs, who elect to receive cash in lieu of ADSs or who are affiliates of us or are otherwise ineligible holders will only receive cash in the assured entitlement distribution. Phoenix TV intends to use ordinary shares of our company that Phoenix TV (BVI) has owned for over two years to make the assured entitlement distribution. The distribution in specie of ADS by Phoenix TV is not part of this offering and does not constitute a "sale" of our securities under the Securities Act of 1933, as amended. The distributed ADSs, each representing Class A ordinary shares, will be freely tradable by the shareholders of Phoenix TV receiving the ADSs.

## RELATED PARTY TRANSACTIONS

Upon completion of this offering, Phoenix TV, though its wholly owned subsidiary, will continue to be our controlling shareholder, with beneficial ownership and voting power of % and %, respectively, of our outstanding ordinary shares, assuming the underwriters do not exercise their over-allotment option and the entire assured entitlement distribution to Phoenix TV's shareholders is made in ADSs. If the underwriters exercise their over-allotment option in full and assuming the entire assured entitlement distribution to Phoenix TV's shareholders is made in ADSs, upon the completion on this offering, Phoenix TV will have beneficial ownership and voting power of % and %, respectively, of our outstanding ordinary shares. Following the completion of this offering, Phoenix TV will continue to have the power acting alone to approve any action requiring a vote of the majority of our ordinary shares.

### **Transactions Related to Our Corporate Structure**

To comply with the applicable PRC laws, rules and regulations, we conduct our operations in China through contractual arrangements between our wholly owned PRC subsidiary, Fenghuang On-line, and our affiliated consolidated entities. See "Our History and Corporate Structure—Contractual Arrangements with Our Affiliated Consolidated Entities."

After entering into these contractual arrangements, we made a payment of RMB7.9 million to the shareholders of our affiliated consolidated entities in order to repay them for their initial funding of the paid-up capital of these entities.

### **Transactions and Agreements with Phoenix TV and Certain of its Subsidiaries**

#### ***Phoenix TV Cooperation Agreement and Phoenix TV Content License Agreements***

Fenghuang On-line entered into a Content, Branding, Promotion and Technology Cooperation Agreement, or the Phoenix TV Cooperation Agreement, with Phoenix TV on November 24, 2009, certain terms of which were amended pursuant to a supplemental agreement entered into by the parties on March 28, 2011. Pursuant to the Phoenix TV Cooperation Agreement, Phoenix TV agreed to procure and procured its subsidiaries, Phoenix Satellite Television Company Limited and Phoenix Satellite Television Trademark Limited, respectively, to enter into content license agreements, or the Content License Agreements, and trademark license agreements, or the Trademark License Agreements, with each of our affiliated consolidated entities. Fenghuang On-line agreed to provide Phoenix TV with our proprietary text, image, sound and video content. In addition, Fenghuang On-line and Phoenix TV agreed to promote one another's brand and content on their respective new media and TV platforms. The Phoenix TV Cooperation Agreement, as amended, will expire in March 2016. As compensation for the rights granted to Fenghuang On-line under the agreement, Fenghuang On-line is obligated to pay Phoenix TV an annual service fee in the amount of RMB1.6 million for the first year of the agreement, which incrementally increases by 25% for each subsequent year of the agreement. Fenghuang On-line must also pay to Phoenix TV 50% of the after-tax revenues Tianying Jiuzhou earns from sublicensing Phoenix TV's video content to third parties. In the event that Phoenix TV's indirect voting interest in Fenghuang On-line falls to 50% or below, Phoenix TV has the right to amend the annual service fee, provided that it may not be raised to more than 500% of the original annual service fee. If Phoenix TV's beneficial ownership stake in us decreases to 35% or below, Phoenix TV has the right to immediately terminate or renegotiate the Phoenix TV Cooperation Agreement.

Pursuant to the Phoenix TV Cooperation Agreement, Tianying Jiuzhou and Yifeng Lianhe each entered into a Content License Agreement with Phoenix Satellite Television Company Limited on November 24, 2009. Pursuant to the Content License Agreements, Phoenix TV granted each of Tianying Jiuzhou and Yifeng Lianhe an exclusive license to use its copyrighted text, images, sound and

videos on its Internet and mobile channels, as applicable, in China. Payments for the content license are made in accordance with the payment provisions set forth in the Phoenix TV Cooperation Agreement. On April 14, 2011, Tianying Jiuzhou, Yifeng Lianhe and Phoenix Satellite Television Company Limited entered into an agreement to extend the terms of the Content License Agreements to March 2016. The Content License Agreements can be terminated earlier (i) by the non-breaching party in the event of a breach and if the breach is not cured within ten business days after receipt of notice of breach from the non-breaching party, (ii) in the event of bankruptcy or the cessation of business operations of either party, or a change in the shareholder or equity structure of the relevant affiliated consolidated entity, other than in connection with the contractual arrangements, (iii) if either party's performance of its obligations is held unlawful under PRC law; or (iv) if an event occurs that adversely affects the performance of either party of its respective obligations and upon written notice by the unaffected party.

We received content from Phoenix TV in the amounts of RMB1.2 million, RMB1.5 million and RMB3.7 million in 2008, 2009 and 2010, respectively. We received benefit from advertising and promotion activities carried by Phoenix TV, and were allocated promotion expenses in the amounts of RMB3.7 million, RMB3.9 million and RMB7.2 million in 2008, 2009 and 2010, respectively. In addition, we received technical services, and got allocated corporate administrative expenses from Phoenix TV in the total amounts of RMB1.2 million, RMB2.0 million and RMB1.6 million in 2008, 2009 and 2010, respectively.

We provided joint advertising campaign solutions together with Phoenix TV to Phoenix TV's advertisers for which Phoenix TV paid us RMB3.1 million, RMB3.8 million and RMB4.8 million in 2008, 2009 and 2010. In addition, we recognized service fees of RMB0.2 million, RMB0.3 million and RMB12.8 million from Phoenix TV in 2008, 2009 and 2010 for technical and marketing services we provided to Phoenix TV in connection with managing Phoenix TV's website.

#### ***Phoenix TV Trademark License Agreements***

Pursuant to the Phoenix TV Cooperation Agreement, Tianying Jiuzhou and Yifeng Lianhe each entered into a Trademark License Agreement with Phoenix Satellite Television Trademark Limited on November 24, 2009. Pursuant to the Trademark License Agreements, Phoenix Satellite Television Trademark Limited granted Tianying Jiuzhou and Yifeng Lianhe non-exclusive rights to use certain of its logos for the purpose of conducting Tianying Jiuzhou's and Yifeng Lianhe's respective businesses. Tianying Jiuzhou may sub-license such trademarks to China Mobile, pursuant to the China Mobile Cooperation Agreement, as described below. Tianying Jiuzhou is obligated to pay Phoenix Satellite Television Trademark Limited an annual license fee of US\$7,000, while Yifeng Lianhe is obligated to pay Phoenix Satellite Television Trademark Limited an annual license fee of US\$3,000, under the respective Trademark License Agreement. Phoenix Satellite Television Trademark Limited may in its discretion waive such license fees. On April 14, 2011, Tianying Jiuzhou, Yifeng Lianhe and Phoenix Satellite Television Trademark Limited entered into an agreement to extend the terms of the Trademark License Agreements to March 2016. The Trademark License Agreements may be terminated early (i) by agreement of both parties in writing or (ii) by the non-breaching party in the event of a substantial breach by the other party of any covenant or a failure by such party to substantially perform any of its obligation and if the breach or failure, as applicable, is not rectified within ten days of receipt of written of written notice from the non-breaching party.

#### ***Loan from Phoenix TV***

As of December 31, 2008 and 2009 and 2010, respectively, we owed liabilities to Phoenix TV in the amounts of RMB34.4 million, RMB34.3 million and RMB33.1 million (US\$5.0 million), relating to an interest-free loan of face value US\$5 million which was provided to us by Phoenix TV on November 29, 2000 to fund the working capital of PHOENIXi Investment Limited and its subsidiaries.

Repayment of this loan is due upon demand from Phoenix TV. As of the date of this prospectus, the outstanding amount of this loan is RMB32.7 million.

### **Cooperation Agreement with China Mobile Communication Corporation**

China Mobile Communication Corporation, or China Mobile, is a shareholder of our parent company, Phoenix TV. As of March 31, 2011, China Mobile held 19.71% of the outstanding shares of Phoenix TV. In each of 2007, 2008 and 2009, Tianying Jiuzhou entered into a cooperation agreement with China Mobile Communication Corporation, together, the China Mobile Cooperation Agreements. Pursuant to the China Mobile Cooperation Agreements, Tianying Jiuzhou agreed to produce certain MMS content exclusively for China Mobile to be used in China Mobile's mobile newspaper service offerings, and China Mobile agreed to pay fees of RMB72.0 million, RMB66.0 million and RMB62.4 million for such content in the contracts covering the years from 2007 to 2010. Tianying Jiuzhou has also granted to China Mobile non-exclusive sub-licenses under the China Mobile Cooperation Agreements to use certain trademarks of Phoenix TV in China, and has agreed to co-host certain offline events with China Mobile free of charge. Each China Mobile Cooperation Agreement has a term of one year.

We obtained revenues for our MIVAS and mobile video services from and through China Mobile of RMB164.6 million, RMB157.3 million and RMB281.6 million in 2008, 2009 and 2010, respectively, relating to mobile newspaper content provided to China Mobile and WVAS and other MIVAS as well as mobile video services provided through China Mobile's platform to mobile device users. We incurred revenue sharing and bandwidth costs in connection with the MIVAS and mobile video services provided through China Mobile's platform in the amounts of RMB25.7 million, RMB22.8 million and RMB34.8 million in 2008, 2009 and 2010, respectively.

As of December 31, 2008, 2009 and 2010, we had account receivables from China Mobile in the amounts of RMB11.9 million, RMB8.7 million and RMB16.5 million, respectively.

On February 14, 2011, Tianying Jiuzhou and China Mobile entered into a fourth cooperation agreement, providing for cooperation in 2011. This agreement has terms substantially similar to those of the previous China Mobile cooperation agreements, except that it has a term of one year, has a total contract price of RMB58.8 million and includes a provision that the parties shall jointly explore the mobile advertising business based on the "mobile newspaper" MMS products, subject to the parties entering into a supplemental agreement regarding their cooperative arrangement.

### **Private Placement**

#### ***Series A Convertible Redeemable Preferred Shares***

On November 24, 2009, we issued an aggregate of 130,000,000 Series A convertible redeemable preferred shares for an aggregate purchase price of US\$25,000,000, to a group of investors, including Morningside China TMT Fund I, L.P., or Morningside, Intel Capital Corporation, or Intel Capital, and Bertelsmann Asia Investments AG.

#### ***Shareholders' Agreement***

In connection with our Series A convertible redeemable preferred shares private placement in November 2009, we and our shareholders entered into a shareholders' agreement, Pursuant to this shareholders' agreement, and prior to the completion of this offering as long as Morningside and Intel Capital each own at least 3% of our outstanding ordinary shares on an as-converted basis, each of Morningside and Intel Capital are entitled to elect one director. Phoenix TV is entitled to elect four directors, two of whom shall be members of our senior management. In addition, Intel Capital has the

right to elect one non-voting observer of the board. Neither Intel Capital nor Morningside have nominated any directors since they made their respective investments in us.

The convertible redeemable preferred shareholders have preemptive rights with respect to any issuance of securities by us, subject to certain exceptions. The preferred shareholders have a right of first refusal for any proposed share transfers by any of the transferring shareholders, subject to certain exceptions. In addition, under our currently effective amended and restated memorandum and articles of association, without the holders representing two-thirds or more of the outstanding Series A convertible redeemable preferred shares, our company shall not create or issue any new class or series of shares or debt having rights, preferences or privileges senior to or on parity with the existing preferred shares. Under the shareholders' agreement, our convertible redeemable preferred shareholders and the holders of ordinary shares converted from our preferred shares are also entitled to certain registration rights, including demand registration, piggyback registration and Form F-3 registration. For more information about these registration rights, see "Description of Share Capital—Registration Rights." Except for the registration rights, the shareholders' rights under the shareholders' agreement will terminate automatically upon the closing of this offering.

#### **Note Receivable from PHOENIXi Investment Limited**

In 2008, 2009 and 2010, respectively, we had a note receivable from PHOENIXi Investment Limited, or PHOENIXi, in the amounts of RMB18.2 million, RMB18.2 million and RMB17.6 million. This note receivable represents a promissory note investment in PHOENIXi. In November 2000, Phoenix TV made a US\$5 million interest-free, payable-in-demand loan to Phoenix Satellite Television Information Limited, and Phoenix Satellite Television Information Limited then advanced the US\$5 million to PHOENIXi in the form of the promissory note. Phoenix TV initially advanced the US\$5 million to Phoenix Satellite Television Information Limited for the purpose of funding the working capital of PHOENIXi and its subsidiaries to support business development in North America. We wrote off a portion of the value of this promissory note in October 2006 when PHOENIXi began the process of liquidation. As of December 31, 2010, RMB17.6 million of the note receivable was outstanding.

#### **Other Transactions with Certain Directors and Affiliates**

See "Management—Compensation of Directors and Executive Officers".

#### **Employment Agreements**

See "Management—Employment Agreements."

#### **Share Incentive Plans**

See "Management—Share Incentive Plans."

## DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, as amended and restated from time to time, the Companies Law (as amended) of the Cayman Islands, or the Companies Law, and the common law of the Cayman Islands.

As of the date of this prospectus, our authorized share capital consists of 870,000,000 ordinary shares, with a par value of US\$0.01 each and 130,000,000 Series A convertible redeemable preferred shares, par value of US\$0.01 each.

Immediately prior to the completion of this offering, all of our outstanding convertible redeemable Series A preferred shares will be automatically converted into ordinary shares on a one-for-one basis. Immediately thereafter and prior to the completion of this offering, (i) all of our outstanding ordinary shares that are held by Phoenix TV (BVI) will be re-designated as Class B ordinary shares and (ii) all of our other outstanding ordinary shares, as well as our authorized but unissued ordinary shares will be re-designed as Class A ordinary shares. Our authorized share capital will then consist of 1,000,000,000 ordinary shares with a par value of US\$0.01 each of which 680,000,000 will be designated as Class A ordinary shares with a par value of US\$0.01 each and 320,000,000 will be designated as Class B ordinary shares with a par value of US\$0.01 each.

Our second amended and restated memorandum and articles of association, or memorandum and articles of association, will become effective upon the completion of this offering. The following are summaries of material provisions of our memorandum and articles of association and the Companies Law insofar as they relate to our Class A ordinary shares and Class B ordinary shares. References therein to Delaware corporate law and the Delaware General Corporation Law are provided for comparison purposes only. We are not a Delaware corporation and such protections are not available to holders of our securities. The following discussion primarily concerns our Class A ordinary shares and Class B ordinary shares and the rights of holders of Class A ordinary shares and Class B ordinary shares. Holders of our ADSs will not be treated as our shareholders and their rights are subject to the deposit agreement. See "Description of the American Depositary Shares."

### Ordinary Shares

#### *General*

All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their ordinary shares.

#### *Class rights of Our Ordinary Shares*

Subject to the memorandum and articles of association and any resolution of the members to the contrary and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares, the Class A ordinary shares and Class B ordinary shares shall carry equal rights and rank pari passu with one another other than as set out below.

**Conversion.** Subject to the provisions of the memorandum and articles of association and to compliance with all fiscal and other laws and regulations applicable thereto, a holder of Class B ordinary shares shall have the right to convert all or any of its Class B ordinary shares into the appropriate number of Class A ordinary shares. At present the Class B ordinary shares convert on a 1 : 1 basis into Class A ordinary shares, subject to adjustment as described below.

A holder of Class A ordinary shares shall have no rights on conversion in respect of each such Class A ordinary share.



**Adjustments of Conversion Rate and/or Conversion Price.** The conversion rate shall from time to time be adjusted if and whenever a Class A ordinary share by reason of any consolidation or sub-division becomes of a different par value, in which case the conversion rate in force immediately prior thereto shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value preceding the date on which the consolidation or sub-division becomes effective.

**Voting Rights.** At all times each Class B ordinary share shall carry the right to 1.3 votes per Class B ordinary share at a meeting of the members.

**Transfers.** The Class B ordinary shares may not be assigned or transferred in whole or in part, other than to an affiliate of the holder of such Class B ordinary shares, or an Exempted Transfer. Class B ordinary shares must be converted into Class A ordinary shares prior to any such assignment or transfer other than an Exempted Transfer.

#### **Dividends**

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law and to the articles of association.

#### **Voting Rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting every holder of Class A ordinary shares who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote on a show of hands, and on a poll every shareholder holding Class A ordinary shares present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly appointed representative) shall have one vote for each fully paid Class A ordinary share of which such shareholder is the holder.

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting every holder of Class B ordinary shares who is present in person or by proxy (or, in the case of a shareholder being a corporation), by its duly authorized representative) shall have 1.3 votes on a show of hands, and on a poll every shareholder holding Class B ordinary shares present in person or by proxy (or, in the case of a shareholder being a corporation), by its duly authorized representative) shall have 1.3 votes for each fully paid Class B ordinary shares of which such shareholder is the holder.

A quorum required for a meeting of shareholders consists of two shareholders entitled to vote and present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative representing not less than one-third of nominal value of the total issued ordinary shares. An annual general meeting of our company shall be held in each year other than the year in which the memorandum and articles of association are adopted. Each general meeting, other than an annual general meeting, shall be an extraordinary general meeting. Only a majority of our board of directors may call extraordinary general meetings. Advance notice of at least ten days is required for the convening of our annual general meeting and other shareholders meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding ordinary shares. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

### ***Transfer of Ordinary Shares***

Subject to the restrictions of our articles of association, as applicable, including as set out above in respect of Class B ordinary shares, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- the ordinary shares transferred are free of any lien in favor of us.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the Designated Stock Exchange (as defined in the memorandum and articles of association), be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

### ***Liquidation***

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

### ***Calls on Ordinary Shares and Forfeiture of Ordinary Shares***

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

### ***Redemption of Ordinary Shares***

Subject to the provisions of the Companies Law, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner, including out of capital, as may be determined by our board of directors.

### ***Variations of Rights of Shares***

All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied either with the unanimous written consent of the holders of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a vote of all of the shares in that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares. The rights of holders of ordinary shares shall not be deemed to be varied by the creation or issue of shares with preferred or other rights which may be affected by the directors as provided in the articles of association without any vote or consent of the holders of ordinary shares.

### ***General Meetings of Shareholders***

Shareholders' meetings may be convened by a majority of our board of directors. Advance notice of at least ten clear days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders.

### ***Inspection of Books and Records***

Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See "Where You Can Find Additional Information."

### ***Issuance of Additional Preferred Shares***

Our articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our articles of association authorizes our board of directors to establish from time to time one or more classes or series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. The issuance of preferred shares may be used as an anti takeover device without further action on the part of the shareholders. Issuance of these shares may dilute the voting power of holders of ordinary shares.

### ***Exempted Company***

We are an exempted company with limited liability under the Companies Law. The Companies Law distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may

apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company.

### **Differences in Corporate Law**

The Companies Law is modeled after that of English law but does not follow many recent English law statutory enactments. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the State of Delaware.

### ***Mergers and Similar Arrangements***

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by (a) a majority in number representing seventy-five percent (75%) in value of the shareholders voting together as one class and (b) if the shares to be issued to each shareholder in the surviving company are to have the same rights and economic value as the shares held in the constituent company, a special resolution of the shareholders voting together as one class.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors (representing 75% by value) with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as

the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the majority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a takeover offer is made and accepted by holders of 90.0% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

### ***Shareholders' Suits***

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

### ***Indemnification of Directors and Executive Officers and Limitation of Liability***

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that provide such persons

with additional indemnification beyond that provided in our amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the U.S. Securities and Exchange Commission, or SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

#### ***Directors' Fiduciary Duties***

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

#### ***Directors' Independence***

The Companies Law of the Cayman Islands does not require a majority of our directors to be independent. For as long as our Class A ordinary shares or ADSs are listed on the NYSE, our amended and restated articles of association require that the directors shall include such number of independent directors (as defined in the rules of NYSE or in Rule 10A-3 under the Exchange Act) as applicable law, rules or regulations or the rules of the NYSE require.

#### ***Shareholder Action by Written Consent***

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law provides that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such

matter at a general meeting without a meeting being held. However, this is expressly prohibited by our articles of association.

### ***Shareholder Proposals***

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Neither Cayman Islands law nor our memorandum and articles of association allow our shareholders to requisition a meeting. As an exempted Cayman Islands company, we are not obliged to call shareholders' annual general meetings. However, our articles of association require us to call such meetings.

### ***Cumulative Voting***

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but our amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

### ***Removal of Directors***

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our articles of association, members have no power to remove a director, either with or without cause.

### ***Transactions with Interested Shareholders***

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and

for proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

### ***Dissolution; Winding up***

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Law and our articles of association, our company may be dissolved, liquidated or wound up by the vote of holders of two-thirds of our shares voting at a meeting.

### ***Variation of Rights of Shares***

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our amended and restated articles of association. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

### ***Amendment of Governing Documents***

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, our memorandum and articles of association may only be amended with a special resolution.

### ***Rights of Non-resident or Foreign Shareholders***

There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

### ***History of Securities Issuances***

#### ***Ordinary Shares***

We were incorporated in the Cayman Islands on November 22, 2007. Upon incorporation, we issued one ordinary share with a par value of US\$0.01 to Phoenix Satellite Television (B.V.I.) Holding Limited. In May 2008, Phoenix Satellite Television (B.V.I.) Holding Limited transferred the sole outstanding share of Phoenix Satellite Television Information Limited to us in exchange for 319,999,999 ordinary shares of our company.

In March 2009, we issued 343,500 ordinary shares pursuant to the exercise of options for an aggregate consideration of approximately US\$11,043. In May 2009, we issued 1,240,000 ordinary shares pursuant to the exercise of options for an aggregate consideration of approximately US\$39,866. In



June 2009, we issued 33,750 ordinary shares pursuant to the exercise of options for an aggregate consideration of approximately US\$1,085. In July 2009, we issued 184,375 ordinary shares pursuant to the exercise of options for an aggregate consideration of approximately US\$5,928. In August 2009, we issued 47,937 ordinary shares pursuant to the exercise of options for an aggregate consideration of approximately US\$1,541. In September 2009, we issued 473,375 ordinary shares pursuant to the exercise of options for an aggregate consideration of approximately US\$15,219. In October 2009, we issued 22,500 ordinary shares pursuant to the exercise of options for an aggregate consideration of approximately US\$723. In January 2011, we issued 41,151,800 ordinary shares pursuant to the exercise of options for an aggregate consideration of approximately US\$1,323,030.

### ***Preferred Shares***

In November 2009, we issued an aggregate of 130,000,000 Series A convertible redeemable preferred shares to Morningside China TMT Fund I, L.P., Intel Capital Corporation and Bertelsmann Asia Investments AG for an aggregate consideration of US\$25,000,000.

### ***Share Incentive Awards***

In July 2008, we issued 67,000,000 options to purchase ordinary shares at an exercise price of US\$0.03215 per share. In November 2008, we issued 1,374,000 options to purchase ordinary shares at an exercise price of US\$0.03215 per share. In July 2009, we issued 10,584,900 options to purchase ordinary shares at an exercise price of US\$0.03215 per share. In September 2009, we issued 10,029,900 options to purchase ordinary shares at an exercise price of US\$0.03215 per share. In January 2010, we issued 4,557,900 options to purchase ordinary shares at an exercise price of US\$0.03215 per share. In July 2010, we issued 11,210,325 options to purchase ordinary shares for an exercise price of US\$0.03215 per share.

In March 2011, we issued 19,008,200 restricted shares and 10,050,958 restricted share units for no consideration.

See "Management—Share Incentive Plans" for more information about the share incentive plans under which these share incentive awards were granted.

### ***Registration Rights***

Pursuant to a shareholders agreement we entered into with beneficial owners of our ordinary shares and our Series A convertible redeemable preferred shareholders on November 24, 2009, we have granted certain registration rights to holders of our registrable securities, which are our all ordinary shares not previously sold to the public but issued or issuable to the investors in the private placement of our Series A convertible redeemable preferred shares, including ordinary shares issuable upon conversion or exercise of any of our Series A convertible redeemable preferred shares, subject to certain exceptions. Set forth below is a description of these registration rights.

#### ***Demand Registration Rights***

Anytime after six months following this offering, the holders of at least 25% of registrable securities have the right to demand that we file a registration statement covering the offer and sale of their securities. We, however, are not obligated to effect a demand registration if, among other things, we have already effected three demand registrations and each of such registrations has been declared effective. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determine in its good faith judgment that filing of a registration will be materially detrimental to us and our shareholders, but we cannot exercise the deferral right more than once in any 12-month period and we shall not file a registration statement with respect to a public offering of our securities during such deferral period.

***Form F-3 Registration Rights***

When we are eligible for use of Form F-3, holders of at least 25% of registrable securities have the right to request that we file a registration statement on Form F-3 for a public offering of our registrable securities with the anticipated aggregate price to the public, net of selling expenses, being not less than US\$1,000,000. We may defer filing of a registration statement on Form F-3 for up to 60 days if our board of directors determine in its good faith judgment that filing of a registration will be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period and we shall not file a registration statement with respect to a public offering of our securities during such deferral period. We are not obligated to file a registration statement on Form F-3 if, among other things, doing so would require us to effect more than two registrations within any 12-month period.

***Piggyback Registration Rights***

If we propose to file a registration statement for a public offering of our securities other than, among other things, relating to a stock option plan or a corporate reorganization, then we must offer holders of registrable securities an opportunity to include in the registration all or any part of their registrable securities. The underwriters of any underwritten offering will have the right to limit the number of shares with registration rights to be included in the registration statement, subject to certain conditions.

***Expenses of Registration***

We will pay all expenses incurred by us in complying with any demand, Form F-3 or piggyback registration. In addition, we will pay the expenses for one counsel for all selling shareholders in the registrations. We are not obligated to pay any underwriting discounts and selling commissions applicable to the sale of a holder's registrable securities.

## DESCRIPTION OF AMERICAN DEPOSITARY SHARES

### American Depositary Shares

Deutsche Bank Trust Company Americas, as depositary, will register and deliver the ADSs. Each ADS will represent ownership of Class A ordinary shares deposited with the office in Hong Kong of Deutsche Bank AG, Hong Kong Branch, as custodian for the depositary. Each ADS will also represent ownership of any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at 60 Wall Street, New York, NY 10005, USA. The principal executive office of the depositary is located at 60 Wall Street, New York, NY 10005, USA.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

We will not treat ADS holders as our shareholders and accordingly, you, as an ADS holder, will not have shareholder rights. Cayman Islands law governs shareholder rights. The depositary will be the holder of the ordinary shares underlying your ADSs. As a holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary and you, as an ADS holder, and the beneficial owners of ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt. For directions on how to obtain copies of those documents, see "Where You Can Find Additional Information."

### Holding the ADSs

#### *How will you hold your ADSs?*

You may hold ADSs either (1) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by holding ADSs in the DRS, or (2) indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

### Dividends and Other Distributions

#### *How will you receive dividends and other distributions on the shares?*

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on 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 as of the record date (which will be as close as practicable to the record date for our ordinary shares) set by the depositary with respect to the ADSs.

- **Cash.** The depositary will convert any cash dividend or other cash distribution we pay on the ordinary shares or any net proceeds from the sale of any ordinary shares, rights, securities or other entitlements into U.S. dollars if it can do so on a reasonable basis, and can transfer the U.S. dollars to the United States. If that is not possible or lawful or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the

foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid and such funds will be held in a segregated account. It will not invest the foreign currency and it will not be liable for any interest.

- Before making a distribution, any taxes or other governmental charges, together with fees and expenses of the depositary, that must be paid, will be deducted. See "Taxation." It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*
- **Shares.** The depositary may distribute additional ADSs representing any ordinary shares we distribute as a dividend or free distribution to the extent reasonably practicable and permissible under law. The depositary will only distribute whole ADSs. It will try to sell ordinary shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new ordinary shares. The depositary may sell a portion of the distributed ordinary shares sufficient to pay its fees and expenses in connection with that distribution.
- **Elective Distributions in Cash or Shares.** If we offer holders of our ordinary shares the option to receive dividends in either cash or shares, the depositary, after consultation with us and having received timely notice as described in the deposit agreement of such elective distribution by us, has discretion to determine to what extent such elective distribution will be made available to you as a holder of the ADSs. We must first instruct the depositary to make such elective distribution available to you and furnish it with satisfactory evidence that it is legal to do so. The depositary could decide it is not legal or reasonably practical to make such elective distribution available to you, or it could decide that it is only legal or reasonably practical to make such elective distribution available to some but not all holders of the ADSs. In such case, the depositary shall, on the basis of the same determination as is made in respect of the ordinary shares for which no election is made, distribute either cash in the same way as it does in a cash distribution, or additional ADSs representing ordinary shares in the same way as it does in a share distribution. The depositary is not obligated to make available to you a method to receive the elective dividend in shares rather than in ADSs. There can be no assurance that you will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of ordinary shares.
- **Rights to Purchase Additional Shares.** If we offer holders of our ordinary shares any rights to subscribe for additional shares or any other rights, the depositary may after consultation with us and having received timely notice as described in the deposit agreement of such distribution by us, make these rights available to you. We must first instruct the depositary to make such rights available to you and furnish the depositary with satisfactory evidence that it is legal to do so. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the net proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If the depositary makes rights available to you, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to you. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely

in the United States. In this case, the depository may deliver restricted depository shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

- **Other Distributions.** Subject to receipt of timely notice, as described in the deposit agreement, from us with the request to make any such distribution available to you, and provided the depository has determined such distribution is lawful and reasonably practicable and feasible and in accordance with the terms of the deposit agreement, the depository will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depository has a choice: it may decide to sell what we distributed and distribute the net proceeds in the same way as it does with cash; or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depository is not required to distribute any securities (other than ADSs) to you unless it receives satisfactory evidence from us that it is legal to make that distribution. The depository may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depository is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

## **Deposit, Withdrawal and Cancellation**

### ***How are ADSs issued?***

The depository will deliver ADSs if you or your broker deposit ordinary shares or evidence of rights to receive ordinary shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depository will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons entitled thereto.

Except for ordinary shares deposited by us in connection with this offering and except with respect to Phoenix TV (BVI), our existing shareholder and a wholly owned subsidiary of Phoenix TV, to the extent necessary to allow Phoenix TV to make available to its shareholders an "assured entitlement" to a certain number of our ADSs, no shares will be accepted for deposit during a period of 180 days after the date of this prospectus. The 180 day lock-up period is subject to adjustment under certain circumstances as described in the section entitled "Shares Eligible for Future Sale—Lock-up Agreements."

### ***How do ADS holders cancel an American Depositary Share?***

You may turn in your ADSs at the depository's corporate trust office or by providing appropriate instructions to your broker. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depository will deliver the ordinary shares and any other deposited securities underlying the ADSs to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the depository will deliver the deposited securities at its corporate trust office, if feasible.

### ***How do ADS holders interchange between Certificated ADSs and Uncertificated ADSs?***

You may surrender your ADR to the depository for the purpose of exchanging your ADR for uncertificated ADSs. The depository will cancel that ADR and will send you a statement confirming that you are the owner of uncertificated ADSs. Alternatively, upon receipt by the depository of a proper instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depository will execute and deliver to you an ADR evidencing those ADSs.

### **Voting Rights**

#### ***How do you vote?***

You may instruct the depository to vote the ordinary shares or other deposited securities underlying your ADSs. Otherwise, you could exercise your right to vote directly if you withdraw the ordinary shares. However, you may not know about the meeting sufficiently enough in advance to withdraw the ordinary shares.

If we ask for your instructions and upon timely notice from us, as described in the deposit agreement, the depository will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will (1) describe the matters to be voted on and (2) explain how you may instruct the depository to vote the ordinary shares or other deposited securities underlying your ADSs as you direct, including an express indication that such instruction may be given or deemed given in accordance with the second to last sentence of this paragraph if no instruction is received, to the depository to give a discretionary proxy to a person designated by us. For instructions to be valid, the depository must receive them on or before the date specified. The depository will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our memorandum and articles of association, to vote or to have its agents vote the ordinary shares or other deposited securities as you instruct. The depository will only vote or attempt to vote as you instruct. If we timely requested the depository to solicit your instructions but no instructions are received by the depository from an owner with respect to any of the deposited securities represented by the ADSs of that owner on or before the date established by the depository for such purpose, the depository shall deem that owner to have instructed the depository to give a discretionary proxy to a person designated by us with respect to such deposited securities, and the depository shall give a discretionary proxy to a person designated by us to vote such deposited securities. However, no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter if we have failed to timely provide the depository with our notice of meeting and related voting materials, we inform the depository that we do not wish such proxy given, substantial opposition exists or the matter materially and adversely affects the rights of holders of the ordinary shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depository to vote the ordinary shares underlying your ADSs. In addition, the depository 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 you may have no recourse if the ordinary shares underlying your ADSs are not voted as you requested.

In order to give you a reasonable opportunity to instruct the depository as to the exercise of voting rights relating to deposited securities, if we request the depository to act, we will try to give the depository notice of any such meeting and details concerning the matters to be voted upon more than 30 business days in advance of the meeting date.

**Fees and Expenses**

As an ADS holder, you will be required to pay the following service fees to the depositary bank:

<u>Service</u>	<u>Fees</u>
• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property	Up to US\$0.05 per ADS issued
• Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US\$0.05 per ADS cancelled
• Distribution of cash dividends or other cash distributions	Up to US\$0.05 per ADS held
• Distribution of ADSs pursuant to share dividends, free share distributions or exercise of rights.	Up to US\$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	A fee equivalent to the fee that would be payable if securities distributed to you had been ordinary shares and the ordinary shares had been deposited for issuance of ADSs
• Depositary services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank
• Transfer of ADRs	U.S. \$1.50 per certificate presented for transfer

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in

connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Deutsche Bank Trust Company Americas, as depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time.

### **Payment of Taxes**

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for you.



## Reclassifications, Recapitalizations and Mergers

**If we:**

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Change the nominal or par value of our ordinary shares

Reclassify, split up or consolidate any of the deposited securities

Distribute securities on the ordinary shares that are not distributed to you or Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action

**Then:**

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The cash, shares or other securities received by the depositary will become deposited securities.

Each ADS will automatically represent its equal share of the new deposited securities.

The depositary may distribute some or all of the cash, shares or other securities it received. It may also deliver new ADSs or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

## Amendment and Termination

### *How may the deposit agreement be amended?*

We may agree with the depositary to amend the deposit agreement and the form of ADR without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, including expenses incurred in connection with foreign exchange control regulations and other charges specifically payable by ADS holders under the deposit agreement, or materially prejudices a substantial existing right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.*

### *How may the deposit agreement be terminated?*

The depositary will terminate the deposit agreement if we ask it to do so, in which case the depositary will give notice to you at least 90 days prior to termination. The depositary may also terminate the deposit agreement if the depositary has told us that it would like to resign and we have not appointed a new depositary within 90 days. In such case, the depositary must notify you at least 30 days before termination.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property and deliver ordinary shares and other deposited securities upon cancellation of ADSs after payment of any fees, charges, taxes or other governmental charges. Six months or more after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, for the *pro rata* benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination, our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

## Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain facilities in New York to record and process the issuance, cancellation, combination, split-up and transfer of ADRs.

These facilities may be closed from time to time, to the extent not prohibited by law or if any such action is deemed necessary or advisable by the depositary or us, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the ADRs or ADSs are listed, or under any provision of the deposit agreement or provisions of, or governing, the deposited securities, or any meeting of our shareholders or for any other reason.

## **Limitations on Obligations and Liability**

### ***Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs***

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or wilful misconduct;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement, including, without limitation, requirements of any present or future law, regulation, governmental or regulatory authority or share exchange of any applicable jurisdiction, any present or future provisions of our memorandum and articles of association, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities or any act of God, war or other circumstances beyond our control as set forth in the deposit agreement;
- are not liable if either of us exercises, or fails to exercise, discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any indirect, special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party;
- disclaim any liability for any action/inaction in reliance on the advice or information of legal counsel, accountants, any person presenting ordinary shares for deposit, holders and beneficial owners (or authorized representatives) of ADSs, or any person believed in good faith to be competent to give such advice or information;
- disclaim any liability for inability of any holder to benefit from any distribution, offering, right or other benefit made available to holders of deposited securities but not made available to holders of ADSs; and
- disclaim any liability for any indirect, special, punitive or consequential damages.

The depositary and any of its agents also disclaim any liability for any failure to carry out any instructions to vote, the manner in which any vote is cast or the effect of any vote or failure to determine that any distribution or action may be lawful or reasonably practicable or for allowing any rights to lapse in accordance with the provisions of the deposit agreement, the failure or timeliness of

any notice from us, the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof, any investment risk associated with the acquisition of an interest in the deposited securities, the validity or worth of the deposited securities, the credit-worthiness of any third party, or for any tax consequences that may result from ownership of ADSs, ordinary shares or deposited securities.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

### **Requirements for Depositary Actions**

Before the depositary will issue, deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of ordinary shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any ordinary shares or other deposited securities and payment of the applicable fees, expenses and charges of the depositary;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to issue and deliver ADSs or register transfers of ADSs generally when the register of the depositary or our transfer books are closed or at any time if the depositary or we think it is necessary or advisable to do so.

### **Your Right to Receive the Shares Underlying Your ADSs**

You have the right to cancel your ADSs and withdraw the underlying ordinary shares at any time except:

- when temporary delays arise because: (1) the depositary has closed its transfer books or we have closed our transfer books; (2) the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on our ordinary shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

### **Pre-release of ADSs**

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADSs. The depositary may also deliver ordinary shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying ordinary shares are delivered to the depositary. The depositary may receive ADSs instead of ordinary shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer (a) owns the ordinary shares or ADSs to be deposited, (b) assigns all beneficial rights, title and interest in such ordinary shares or ADSs to the depositary for the benefit of the owners, (c) will not take any action with respect to such ordinary shares or ADSs

that is inconsistent with the transfer of beneficial ownership, (d) indicates the depositary as owner of such ordinary shares or ADSs in its records, and (e) unconditionally guarantees to deliver such ordinary shares or ADSs to the depositary or the custodian, as the case may be; (2) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; and (3) the depositary must be able to close out the pre-release on not more than five business days' notice. Each pre-release is subject to further indemnities and credit regulations as the depositary considers appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release to 30% of the aggregate number of ADSs then outstanding, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so, including (1) due to a decrease in the aggregate number of ADSs outstanding that causes existing pre-release transactions to temporarily exceed the limit stated above or (2) where otherwise required by market conditions.

### **Direct Registration System**

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register such transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on, and compliance with, instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depositary.

## SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, assuming that the entire assured entitlement distribution is made in ADSs, we will have outstanding ADSs representing approximately % of our ordinary shares in issue. All of the ADSs sold in this offering will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our ordinary shares or the ADSs, and while application has been made for the ADSs to be quoted on the New York Stock Exchange, we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our ordinary shares not represented by the ADSs.

### Lock-Up Agreements

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any ADSs or ordinary shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the representative for a period of 180 days after the date of this prospectus, except issuances pursuant to the exercise of employee stock options outstanding on the date hereof or pursuant to our dividend reinvestment plan.

Our executive officers and directors, shareholders and major holders of share-based awards have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any ADSs or shares of ordinary shares or securities convertible into or exchangeable or exercisable for any ADSs or shares of ordinary shares, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our ADSs, whether any of these transactions are to be settled by delivery of our ADSs or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the representative for a period of 180 days after the date of this prospectus, except, with respect to Phoenix TV (BVI), our existing shareholder and a wholly owned subsidiary of Phoenix TV, to the extent necessary to allow Phoenix TV to make available to its shareholders an "assured entitlement" to a certain number of our ADSs, not to exceed ADSs, as required pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. See "Principal and Selling Shareholders—Assured Entitlement Distribution" for more information about Phoenix TV's assured entitlement distribution. In addition, we have instructed Deutsche Bank Trust Company Americas, as depositary, not to accept any deposit of Class A ordinary shares or issue any ADSs for a period of 180 days after the date of this prospectus (other than in connection with this offering and the distribution of "assured entitlement" ADSs to certain of Phoenix TV's shareholders), unless we otherwise instruct the depositary with the prior written consent of the representatives of the underwriters. After the expiration of the 180-day period, the ordinary shares or ADSs held by our directors, executive officers or principal shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

The 180-day lock-up period is subject to adjustment under certain circumstances. If in the event that either (1) during the last 17 days of the "lock-up" period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the "lock-up" period, we announce that we will release earnings results during the 16-day period beginning on the last day of the "lock-up" period, then in either case the expiration of the "lock-up" will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless the representative waive, in writing, such an extension.

## **Rule 144**

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus a person who has beneficially owned our restricted securities for at least six months is entitled to sell the restricted securities without registration under the Securities Act, subject to certain restrictions. Persons who are our affiliates (including persons beneficially owning 10% or more of our outstanding shares) may sell within any three-month period a number of restricted securities that does not exceed the greater of the following:

- 1% of the number of our ordinary shares then outstanding, in the form of ADSs or otherwise, which will equal approximately \_\_\_\_\_ shares immediately after this offering, or \_\_\_\_\_ if the underwriters exercise their option to purchase additional ADSs in full; and
- the average weekly trading volume of our ADSs on the New York Stock Exchange during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Such sales are also subject to manner-of-sale provisions, notice requirements and the availability of current public information about us. Persons who are not our affiliates and have beneficially owned our restricted securities for more than six months but not more than one year may sell the restricted securities without registration under the Securities Act subject to the availability of current public information about us. Persons who are not our affiliates and have beneficially owned our restricted securities for more than one year may freely sell the restricted securities without registration under the Securities Act.

## **Rule 701**

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our ordinary shares from us in connection with a compensatory stock plan or other written agreement executed prior to the completion of this offering is eligible to resell such ordinary shares in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

## **Registration Rights**

Upon completion of this offering, holders of our preferred shares who will convert their preferred shares into ordinary shares effective upon the completion of this offering, will be entitled to request that we register their shares under the Securities Act, after six months following this offering. See "Description of Share Capital—Registration Rights."

## TAXATION

*The following summary of material Cayman Islands, People's Republic of China and United States federal income tax consequences of an investment in our ADSs or Class A ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this registration statement, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or Class A ordinary shares, such as the tax consequences under state, local and other tax laws. To the extent that the discussion relates to matters of Cayman Islands or People's Republic of China law, it is the opinion of Conyers, Dill and Pearman, our counsel as to matters of Cayman Islands law, and Zhong Lun Law Firm, our counsel as to matters of PRC law, respectively. To the extent that the discussion states legal conclusions under current United States federal income tax law as to the material United States federal income tax consequences of an investment in the ADSs or Class A ordinary shares, and subject to the qualifications herein (including with respect to PFIC matters as described below), it is the opinion of Simpson, Thacher & Bartlett LLP, our counsel as to matters of United States federal income tax law.*

### **Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes levied by the Government of the Cayman Islands that are likely to be material to holders of ADSs or Class A ordinary shares except for stamp duties which may be applicable on instruments executed in, or after execution brought into the Cayman Islands. The Cayman Islands is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

### **People's Republic of China Taxation**

The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" of China. Under the implementation regulations for the EIT Law issued by the PRC State Council, "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury of an enterprise. Although substantially all of our operational management is currently based in the PRC, it is unclear whether PRC tax authorities would require (or permit) us to be treated as a PRC resident enterprise.

Under the EIT Law and implementation regulations issued by the State Council, PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. The implementation regulations of the EIT Law set forth that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as China-sourced income. It is not clear how "domicile" may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC "resident enterprise," dividends we pay with respect to our Class A ordinary shares or ADSs, or the gain you may realize from the transfer of our Class A ordinary shares or ADSs, may be treated as income derived from sources within the PRC and be subject to PRC tax. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Class A ordinary shares or ADSs might be able to claim the benefit of income tax treaties entered into between China and other countries.

## Material United States Federal Income Tax Consequences

The following summary describes material United States federal income tax consequences of the ownership and disposition of our ADSs and Class A ordinary shares as of the date hereof. The discussion is applicable only to United States Holders (as defined below) who hold our ADSs or Class A ordinary shares or ADSs as capital assets (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the "Code"). As used herein, the term "United States Holder" means a beneficial owner of an ADS or ordinary share that is for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not purport to be a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, such as:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our ADSs or Class A ordinary shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose "functional currency" is not the United States dollar.

The discussion below is based upon the provisions of the Code and regulations, rulings and judicial decisions thereunder as of the date hereof. Such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.



This discussion does not consider the tax treatment of partnerships or other pass-through entities that hold our ADSs or Class A ordinary shares, or of persons who hold our ADSs or Class A ordinary shares through such entities. If a partnership holds ADSs or Class A ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ADSs or Class A ordinary shares, you should consult your tax advisors.

This summary does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-United States tax laws.

***If you are considering the purchase, ownership or disposition of our Class A ordinary shares or ADSs, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.***

#### ADSs

If you hold ADSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying Class A ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will not be subject to United States federal income tax.

#### Taxation of Dividends

Subject to the rules discussed under "—Passive Foreign Investment Company" below, the gross amount of distributions with respect to our ADSs or Class A ordinary shares (including any amounts withheld to reflect PRC withholding taxes) will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in your gross income as dividend income on the day actually or constructively received by you, in the case of the Class A ordinary shares, or by the depository, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to non-corporate United States Holders, certain dividends received before January 1, 2013 from a qualified foreign corporation may be subject to reduced rates of taxation. A non-United States corporation is treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. U.S. Treasury Department guidance indicates that our ADSs, but not our Class A ordinary shares, will, upon listing on the New York Stock Exchange, be readily tradable on an established securities market in the United States. Thus, we believe that dividends we pay on our Class A ordinary shares that are represented by ADSs, but not on our Class A ordinary shares that are not so represented, will meet such conditions required for the reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years. A qualified foreign corporation also includes a foreign corporation that is eligible for the benefits of certain income tax treaties with the United States. In the event that we are deemed to be a PRC "resident enterprise" under the PRC tax law (see discussion under "Taxation—People's Republic of China Taxation"), we may be eligible for the benefits of the income tax treaty between the United States and the PRC, and if we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by ADSs, would be subject to the reduced rates of taxation. Non-corporate United States Holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss, or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code, will not be eligible

for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. Furthermore, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC (as discussed below under "—Passive Foreign Investment Company") in the taxable year in which such dividends are paid or in the preceding taxable year. You should consult your own tax advisors regarding the application of these rules given your particular circumstances.

In the event that we are deemed to be a PRC "resident enterprise" under the PRC tax law, you may be subject to PRC withholding taxes on dividends paid to you with respect to the ADSs or Class A ordinary shares. In that case, however, you may be able to obtain a reduced rate of PRC withholding taxes under the treaty between the United States and the PRC if certain requirements are met. In addition, subject to certain conditions and limitations, PRC withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid to you with respect to our ADSs or Class A ordinary shares will be treated as income from sources outside the United States and will generally constitute passive category income. Furthermore, in certain circumstances, if you have held our ADSs or Class A ordinary shares for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for any PRC withholding taxes imposed on dividends paid on our ADSs or Class A ordinary shares. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will be treated first as a tax-free return of your tax basis in our ADSs or Class A ordinary shares held by you, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain recognized on a sale or exchange. We do not expect to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

#### *Passive Foreign Investment Company*

Based upon the past and projected composition of our income and valuation of our assets, including goodwill, we do not expect to be a "passive foreign investment company," or PFIC, for the current taxable year, and we do not expect to become one in the future, although there can be no assurance in this regard. Moreover, the determination of our PFIC status is based on an annual determination that cannot be made until the close of a taxable year. This investigation includes ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income we earn, which involves extensive factual investigation and cannot be completed until the close of a taxable year, and therefore, our U.S. counsel expresses no opinion with respect to our PFIC status.

In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income, or
- at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a

related person). If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income. However, it is not entirely clear how the contractual arrangements between us and our affiliated consolidated entities will be treated for purposes of the PFIC rules. If it is determined that we do not own the stock of the affiliated consolidated entities for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we would likely be treated as a PFIC.

The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. Because we will value our goodwill based on the market value of our equity for these purposes, a decrease in the price of our ADSs may also result in our becoming a PFIC. Furthermore, in light of our significant cash balances (taking into account the proceeds from this offering) and the uncertainty as to the extent, if any, that our unbooked intangibles may be taken into account for the current taxable year, we may be classified as a PFIC for the current taxable year. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend our liquid assets and the cash raised in this offering. Because PFIC status is a fact-intensive determination made on an annual basis, no assurance can be given that we are not, or will not become, classified as a PFIC. If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares, you will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of our ADSs or Class A ordinary shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for our ADSs or Class A ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for our ADSs or Class A ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In addition, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us (as described above under "—Taxation of Dividends") if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. You will be required to file Internal Revenue Service Form 8621 if you hold our ADSs or Class A ordinary shares in any year in which we are classified as a PFIC.

If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares and any of our non-United States subsidiaries is also a PFIC, a United States Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. Under current law, the mark-to-market election may be available to holders of our ADSs because they will be listed on the New York Stock Exchange, which constitutes a qualified exchange, although there can be

no assurance that our ADSs will be "regularly traded" for purposes of the mark-to-market election. It should also be noted that it is intended that only our ADSs and not our Class A ordinary shares will be listed on the New York Stock Exchange. Consequently, if you are a holder of our Class A ordinary shares that are not represented by ADSs, you generally will not be eligible to make a mark-to-market election if we are, or become, a PFIC.

If you make an effective mark-to-market election, you will include in each taxable year that we are a PFIC, as ordinary income, the excess of the fair market value of our ADSs held by you at the end of the year over your adjusted tax basis in our ADSs. You will be entitled to deduct as an ordinary loss each year the excess of your adjusted tax basis in our ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, any gain you recognize upon the sale or other disposition of our ADSs will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

Your adjusted tax basis in our ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years, unless our ADSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a United States Holder may continue to be subject to the PFIC rules with respect to such United States Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

Alternatively, you can sometimes avoid the rules described above with respect to the stock you own in a PFIC by electing to treat such PFIC as a "qualified electing fund" under Section 1295 of the Code. However, this option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election. You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding our ADSs or Class A ordinary shares if we are considered a PFIC in any taxable year.

#### *Taxation of Capital Gains*

For United States federal income tax purposes and subject to the discussion under "—Passive Foreign Investment Company" above, you will recognize taxable gain or loss on any sale or exchange of our ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized for our ADSs or Class A ordinary shares and your tax basis in such ADSs or Class A ordinary shares. Such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss. Consequently, you may not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of our ADSs or Class A ordinary shares unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. You are urged to consult your tax advisors regarding the tax consequences if a foreign withholding tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of the foreign tax credit under your particular circumstances.

*Information Reporting and Backup Withholding*

Pursuant to the Hiring Incentives to Restore Employment Act enacted on March 18, 2010, an individual United States Holder may be required to submit to the Internal Revenue Service certain information reporting with respect to his or her beneficial ownership of our ADSs or Class A ordinary shares, unless such ADSs were held on his or her behalf by a United States financial institution. This new law also imposes penalties if an individual United States Holder is required to submit such information to the Internal Revenue Service and fails to do so.

Moreover, information reporting will apply to dividends in respect to our ADSs or Class A ordinary shares and the proceeds from the sale, exchange or redemption of our ADSs or Class A ordinary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. Backup withholding may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Backup withholding is not a tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service. You should consult your tax advisors regarding the application of the United States information reporting and backup withholding rules to your particular circumstances.

## UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. International plc, Deutsche Bank Securities Inc. and Macquarie Capital (USA) Inc. are acting as representatives, have severally agreed to purchase, and we and the selling shareholders have agreed to sell to them, severally, the number of ADSs indicated below:

<u>Underwriters</u>	<u>Number of ADSs</u>
Morgan Stanley & Co. International plc	
Deutsche Bank Securities Inc.	
Macquarie Capital (USA) Inc.	
Cowen and Company, LLC	
China International Capital Corporation	
Hong Kong Securities Limited	
Total	

The underwriters and the representatives are collectively referred to as the "underwriters" and the "representatives," respectively. The underwriters are offering the ADSs subject to their acceptance of the ADSs from us and the selling shareholders and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the ADSs offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and the independent accountants. The underwriters are obligated, severally and not jointly, to take and pay for all of the ADSs offered by this prospectus if any such ADSs are taken. The underwriters are not required, however, to take or pay for the ADSs covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the ADSs directly to the public at the initial public offering price listed on the front cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of US\$            per ADS under the initial public offering price. After the initial offering of the ADSs, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of            additional ADSs at the public offering price of US\$            per ADS, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the ADSs offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional ADSs as the number listed next to the underwriter's name in the preceding table bears to the total number of ADSs listed in the preceding table. If the underwriters' option is exercised in full, the total price to the public would be US\$            , the total underwriters' discounts and commissions would be US\$            and the total proceeds to us (before expenses) would be US\$            . We will not receive any of the proceeds from the sale of the ADSs by the selling shareholders.

The table below shows the per ADS and total underwriting discounts and commissions that we and the selling shareholders will pay to the underwriters. The underwriting discounts and commissions are determined by negotiations among us, the selling shareholders and the underwriters and are a percentage of the offering price to the public. Among the factors considered in determining the

discounts and commissions are the size of the offering, the nature of the security to be offered and the discounts and commissions charged in comparable transactions.

These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional ADSs.

<u>Underwriting Discounts and Commissions</u>	<u>No Exercise</u>	<u>Full Exercise</u>
Per ADS	US\$	US\$
Total by us	US\$	US\$
Total by the selling shareholders	US\$	US\$

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of ADSs offered by them.

The total expenses of the offering payable by us, excluding underwriting discounts and commissions, will be approximately US\$            million. Expenses include the SEC and the Financial Industry Regulatory Authority, or FINRA, filing fees, the New York Stock Exchange listing fee, and printing, legal, accounting and miscellaneous expenses.

Some of the underwriters are expected to make offers and sales both inside and outside the United States through their respective selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the SEC. We have been advised that Morgan Stanley & Co. International plc expects to make offers and sales in the United States through its registered broker-dealer in the United States, Morgan Stanley & Co. Incorporated.

We have applied for approval for listing the ADSs on the New York Stock Exchange under the symbol "FENG."

We have agreed that, without the prior written consent of the representatives, subject to certain exceptions we will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs;
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares or ADSs; or
- file any registration statement with the SEC relating to the offering of any ordinary shares, ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs (other than a registration statement on Form S-8);

whether any such transaction described above is to be settled by delivery of ordinary shares, ADSs, or such other securities, in cash or otherwise, except, with respect to Phoenix TV (BVI), our existing shareholder and a wholly owned subsidiary of Phoenix TV, to the extent necessary to allow Phoenix TV to make available to its shareholders an "assured entitlement" to a certain number of our ADSs, not to exceed            ADSs, as required pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. See "Principal and Selling Shareholders—Assured Entitlement Distribution" for more information about Phoenix TV's assured entitlement distribution.

Each of our directors, executive officers, existing shareholders and major holders of our share-based awards has agreed that, without the prior written consent of the representatives, such director,

officer, or shareholder subject to certain exceptions will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares or ADSs;

whether any such transaction described above is to be settled by delivery of ordinary shares, ADSs, or such other securities, in cash or otherwise.

The foregoing lock-up period will be extended under certain circumstances. If (1) during the last 17 days of the applicable lock-up period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the applicable lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the applicable lock-up period, the lock-up will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event unless the extension is waived in writing by the underwriters.

In addition, we have instructed Deutsche Bank Trust Company Americas, as depositary, not to accept any deposit of Class A ordinary shares or issue any ADSs for a period of 180 days after the date of this prospectus (other than in connection with this offering and the distribution of "assured entitlement" ADSs to certain of Phoenix TV's shareholders), unless we otherwise instruct the depositary with the prior written consent of the representatives of the underwriters.

To facilitate this offering of the ADSs, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the ADSs. Specifically, the underwriters may sell more ADSs than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of ADSs available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing ADSs in the open market. In determining the source of ADSs to close out a covered short sale, the underwriters will consider, among other things, the open market price of ADSs compared to the price available under the over-allotment option. The underwriters may also sell ADSs in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market after pricing that could adversely affect investors who purchase in this offering. In addition, to stabilize the price of the ADSs, the underwriters may bid for, and purchase, ADSs in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the ADSs in this offering, if the syndicate repurchases previously distributed ADSs to cover syndicate short positions or to stabilize the price of the ADSs. Any of these activities may stabilize or maintain the market price of the ADSs above independent market levels. Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our ADSs. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

From time to time, the underwriters may have provided, and may continue to provide, investment banking and other financial advisory services to us, our officers or our directors for which they have received or will receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of



customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

We and the selling shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act and liabilities incurred in connection with the directed share program referred to below. If we or the selling shareholders are unable to provide this indemnification, we and the selling shareholders will contribute to payments that the underwriters may be required to make for these liabilities.

At our request, the underwriters have reserved for sale, at the initial public offering price, up to % of the ADSs offered by this prospectus to our directors, officers, employees, business associates and related persons. We will pay all fees and disbursements of counsel incurred by the underwriters in connection with offering the ADSs to such persons. Any sales to these persons will be made through a directed share program. The number of ADSs available for sale to the general public will be reduced to the extent such persons purchase such reserved ADSs. Any reserved ADSs not so purchased will be offered by the underwriters to the general public on the same basis as the other ADSs offered by this prospectus. We have agreed to indemnify the underwriters for against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of directed shares.

The address of Morgan Stanley & Co. International plc is 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom. The address of Deutsche Bank Securities Inc. is 60 Wall Street, New York, New York 10005, United States. The address of Macquarie Capital (USA) Inc. is 125 West 55th Street, New York, New York 10019, United States.

### **Electronic Offer, Sale and Distribution of ADSs**

A prospectus in electronic format may be made available on the websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of ADSs to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations. In addition, ADSs may be sold by the underwriters to securities dealers who resell ADSs to online brokerage account holders. Other than the prospectus in electronic format, the information on any underwriter's or selling group member's website and any information contained in any other website maintained by any underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

### **Pricing of the Offering**

Prior to this offering, there has been no public market for our ordinary shares or ADSs. The initial public offering price is determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price are our future prospects and those of our industry in general, our sales, earnings, certain other financial and operating information in recent periods, the price-earnings ratios, price-sales ratios and market prices of securities and certain financial and operating information of companies engaged in activities similar to ours, the general condition of the securities markets at the time of this offering, the recent market prices of, and demand for, publicly traded ordinary share of generally comparable companies, and other factors deemed relevant by the representatives and us. Neither we nor the underwriters can assure investors that an active trading market will develop for our ADSs, or that the ADSs will trade in the public market at or above the initial public offering price.

## Electronic Offer, Sale and Distribution of ADSs

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, the underwriters may be facilitating internet distribution for this offering to certain of their internet subscription customers. An electronic prospectus may be available on the internet websites maintained by the underwriters. Other than the prospectus in electronic format, the information on the websites of the underwriters is not part of this prospectus.

## Selling Restrictions

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the ADSs, or the possession, circulation or distribution of this prospectus or any other material relating to us or the ADSs in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material relating to the ADSs may be distributed or published, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof.

**Australia.** This prospectus is not a formal disclosure document and has not been, nor will be, lodged with the Australian Securities and Investments Commission. It does not purport to contain all information that an investor or their professional advisers would expect to find in a prospectus or other disclosure document (as defined in the Corporations Act 2001 (Australia)) for the purposes of Part 6D.2 of the Corporations Act 2001 (Australia) or in a product disclosure statement for the purposes of Part 7.9 of the Corporations Act 2001 (Australia), in either case, in relation to the ADSs.

The ADSs are not being offered in Australia to "retail clients" as defined in sections 761G and 761GA of the Corporations Act 2001 (Australia). This offering is being made in Australia solely to "wholesale clients" for the purposes of section 761G of the Corporations Act 2001 (Australia) and, as such, no prospectus, product disclosure statement or other disclosure document in relation to the ADSs has been, or will be, prepared.

This prospectus does not constitute an offer in Australia other than to wholesale clients. By submitting an application for our ADSs, you represent and warrant to us that you are a wholesale client for the purposes of section 761G of the Corporations Act 2001 (Australia). If any recipient of this prospectus is not a wholesale client, no offer of, or invitation to apply for, our ADSs shall be deemed to be made to such recipient and no applications for our ADSs will be accepted from such recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of such offer, is personal and may only be accepted by the recipient. In addition, by applying for our ADSs you undertake to us that, for a period of 12 months from the date of issue of the ADSs, you will not transfer any interest in the ADSs to any person in Australia other than to a wholesale client.

**Canada.** The ADSs may not be offered, sold or distributed, directly or indirectly, in any province or territory of Canada or to or for the benefit of any resident of any province or territory of Canada, except pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer, sale or distribution is made, and only through a dealer duly registered under the applicable securities laws of that province or territory or in accordance with an exemption from the applicable registered dealer requirements.

**Cayman Islands.** This prospectus does not constitute an invitation or offer to the public in the Cayman Islands of the ADSs or ordinary shares, whether by way of sale or subscription, in the Cayman Islands. Each underwriter has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any ADSs or ordinary shares to the public in the Cayman Islands.

**European Economic Area.** In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer of the ADSs has not been made and will not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the ADSs which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except Relevant Member State at any time, to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to containing the prior consent of the underwriters for any such offer; or
- in any other circumstances which do not require the publication by the company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of ADSs to the public" in relation to any ADS in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase or subscribe the ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**Israel.** In the State of Israel, the ADSs offered hereby may not be offered to any person or entity other than the following:

- a fund for joint investments in trust (i.e., mutual fund), as such term is defined in the Law for Joint Investments in Trust, 5754-1994, or a management company of such a fund;
- a provident fund as defined in Section 47(a)(2) of the Income Tax Ordinance of the State of Israel, or a management company of such a fund;
- an insurer, as defined in the Law for Oversight of Insurance Transactions, 5741-1981, a banking entity or satellite entity, as such terms are defined in the Banking Law (Licensing), 5741-1981, other than a joint services company, acting for their own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- a company that is licensed as a portfolio manager, as such term is defined in Section 8(b) of the Law for the Regulation of Investment Advisors and Portfolio Managers, 5755-1995, acting on its own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- a company that is licensed as an investment advisor, as such term is defined in Section 7(c) of the Law for the Regulation of Investment Advisors and Portfolio Managers, 5755-1995, acting on its own account;

- a company that is a member of the Tel Aviv Stock Exchange, acting on its own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- an underwriter fulfilling the conditions of Section 56(c) of the Securities Law, 5728-1968;
- a venture capital fund (defined as an entity primarily involved in investments in companies which, at the time of investment, (i) are primarily engaged in research and development or manufacture of new technological products or processes and (ii) involve above-average risk);
- an entity primarily engaged in capital markets activities in which all of the equity owners meet one or more of the above criteria; and
- an entity, other than an entity formed for the purpose of purchasing the ADSs in this offering, in which the shareholders equity (including pursuant to foreign accounting rules, international accounting regulations and U.S. generally accepted accounting rules, as defined in the Securities Law Regulations (Preparation of Annual Financial Statements), 1993) is in excess of NIS 250 million.

Any offeree of the ADSs offered hereby in the State of Israel shall be required to submit written confirmation that it falls within the scope of one of the above criteria. This prospectus will not be distributed or directed to investors in the State of Israel who do not fall within one of the above criteria.

**Japan.** The underwriters will not offer or sell any of our ADSs directly or indirectly in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, "Japanese person" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

**Hong Kong.** The underwriters and each of their affiliates have not (i) offered or sold, and will not offer or sell, in Hong Kong, by means of any document, our ADSs other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32 of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance or (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere any advertisement, invitation or document relating to our ADSs which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to our ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance or any rules made under that Ordinance.

**People's Republic of China.** This prospectus may not be circulated or distributed in the PRC and the ADSs may not be offered or sold, and will not offer or sell to any person for re-offering or resale directly or indirectly to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph, PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

**Singapore.** This prospectus or any other offering material relating to our ADSs has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore, or the SFA. Accordingly, the underwriters have severally represented, warranted and agreed that (a) they have not offered or sold any of our ADSs or caused our ADSs to be made the subject of an invitation for subscription or purchase and it will not offer or sell any of our

ADSs or cause the ADSs to be made the subject of an invitation for subscription or purchase, and (b) they have not circulated or distributed, and they will not circulate or distribute, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our ADSs, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor as specified in Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275 of the SFA) and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

**Switzerland.** The ADSs will not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland.

Neither this prospectus nor any other offering or marketing material relating to our company or the ADSs have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of the ADSs will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of the ADSs has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (the "CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the ADSs.

**United Kingdom.** An offer of the ADSs may not be made to the public in the United Kingdom within the meaning of Section 102B of the Financial Services and Markets Act 2000, as amended, or the FSMA, except to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances that do not require the publication by the company of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority, or the FSA.

An invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) may only be communicated to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which Section 21 of FSMA does not apply to the company.

All applicable provisions of the FSMA with respect to anything done by the underwriters in relation to the ADSs must be complied with in, from or otherwise involving the United Kingdom.

**United Arab Emirates and Dubai International Financial Centre.** This offering of the ADSs has not been approved or licensed by the Central Bank of the United Arab Emirates (the "UAE"), the Emirates Securities and Commodities Authority or any other relevant licensing authority in the UAE, including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the Dubai Financial Services Authority (the "DFSA"), a regulatory authority of the Dubai International Financial Centre (the "DIFC"). This offering does not constitute a public offer of securities in the UAE, DIFC and/or any other free zone in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended), DFSA Offered Securities Rules and the Dubai International Financial Exchange Listing Rules, respectively, or otherwise.

The ADSs may not be offered to the public in the UAE and/or any of the free zones. The ADSs may be offered and this prospectus may be issued, only to a limited number of investors in the UAE or any of its free zones who qualify as sophisticated investors under the relevant laws and regulations of the UAE or the free zone concerned. The ADSs will not be offered, sold, transferred or delivered to the public in the UAE or any of its free zones.

**EXPENSES RELATING TO THIS OFFERING**

The following table sets forth the main estimated expenses in connection with this offering, other than the underwriting discounts and commissions, which we will be required to pay:

SEC registration fee	US\$
FINRA filing fee	
New York Stock Exchange listing fee	
Legal fees and expenses	
Accounting fees and expenses	
Printing fees	
Other fees and expenses	
Total	<u>US\$</u>

All amounts are estimated, except the SEC registration fee, the New York Stock Exchange listing fee and the FINRA filing fee.

## LEGAL MATTERS

The validity of the ADSs and certain other legal matters as to U. S. federal and New York law in connection with this offering will be passed upon for us by Simpson Thacher & Bartlett LLP. The underwriters are being represented by Skadden, Arps, Slate, Meagher & Flom LLP with respect to U.S. federal and New York state law. The validity of the ordinary shares represented by the ADSs offered in this offering will be passed upon for us by Conyers Dill & Pearman. Legal matters as to PRC law will be passed upon for us by Zhong Lun Law Firm and for the underwriters by Fangda Partners. Simpson Thacher & Bartlett LLP may rely upon Conyers Dill & Pearman with respect to matters governed by Cayman Islands' law and Zhong Lun Law Firm with respect to matters governed by PRC law. Skadden, Arps, Slate, Meagher & Flom LLP may rely upon Fangda Partners with respect to matters governed by PRC law.

## EXPERTS

The financial statements as of December 31, 2008, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The offices of PricewaterhouseCoopers Zhong Tian CPAs Limited Company are located at 26/F Office Tower A, Beijing Fortune Plaza, 7 Dongsanhuan Zhong Road, Chaoyang District, Beijing 100020, the People's Republic of China.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits, under the Securities Act with respect to the underlying ordinary shares represented by the ADSs to be sold in this offering. We have also filed with the SEC a related registration statement on F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read the registration statement on Form F-1 and its exhibits and schedules for further information with respect to us and our ADSs.

Immediately upon the effectiveness of the registration statement, we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. For the year ended December 31, 2011 and for subsequent years, our Form 20-F will be due four months following the end of the relevant fiscal year. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. All information filed with the SEC is available over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov) and can be inspected and copied at the public reference facilities maintained by the SEC at 100 N. Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 or visit [www.sec.gov](http://www.sec.gov) for further information on the operation of the public reference rooms.

**Phoenix New Media Limited**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Phoenix New Media Limited:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in shareholders' equity and comprehensive income/(loss) and cash flows present fairly, in all material respects, the financial position of Phoenix New Media Limited (the "Company") and its subsidiaries at December 31, 2008, 2009 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company  
Beijing, the People's Republic of China  
March 14, 2011, except for Note 22, which is as of April 21, 2011

**Phoenix New Media Limited**

**Consolidated Balance Sheets as of December 31, 2008, 2009 and 2010**

	As of December 31,					
	2008	2009	2010	2010	2010	2010
	RMB	RMB	RMB	US\$ (Note 2d)	RMB (Pro-forma unaudited) (Note 21)	US\$ (Pro-forma unaudited) (Note 21)
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	67,999,125	223,085,854	287,173,450	43,511,129	287,173,450	43,511,129
Accounts receivable, net	21,891,735	35,317,961	77,043,456	11,673,251	77,043,456	11,673,251
Amounts due from related parties	11,882,428	8,696,193	16,486,813	2,498,002	16,486,813	2,498,002
Prepayment and other current assets	4,249,202	5,773,852	19,388,640	2,937,673	19,388,640	2,937,673
Deferred tax assets	254,560	2,184,995	612,700	92,833	612,700	92,833
<b>Total current assets</b>	<b>106,277,050</b>	<b>275,058,855</b>	<b>400,705,059</b>	<b>60,712,888</b>	<b>400,705,059</b>	<b>60,712,888</b>
<b>Non current assets:</b>						
Property and equipment, net	15,924,714	15,534,760	24,110,820	3,653,155	24,110,820	3,653,155
Intangible assets, net	240,128	1,047,238	2,362,703	357,985	2,362,703	357,985
Deferred tax assets	1,915,337	—	—	—	—	—
Note receivable	18,182,419	18,196,459	17,600,222	2,666,700	17,600,222	2,666,700
Other non-current assets	1,667,967	4,464,503	2,483,351	376,265	2,483,351	376,265
<b>Total non-current assets</b>	<b>37,930,565</b>	<b>39,242,960</b>	<b>46,557,096</b>	<b>7,054,105</b>	<b>46,557,096</b>	<b>7,054,105</b>
<b>Total assets</b>	<b>144,207,615</b>	<b>314,301,815</b>	<b>447,262,155</b>	<b>67,766,993</b>	<b>447,262,155</b>	<b>67,766,993</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Current liabilities:</b>						
Accounts payable	17,901,266	22,645,962	54,115,241	8,199,279	54,115,241	8,199,279
Amounts due to related parties	92,281,226	71,451,845	43,476,982	6,587,422	43,476,982	6,587,422
Advances from customers	1,715,990	4,938,771	7,781,026	1,178,943	7,781,026	1,178,943
Taxes payable	1,585,148	2,038,618	9,969,793	1,510,575	9,969,793	1,510,575
Salary and welfare payable	9,860,209	10,117,312	26,064,229	3,949,126	26,064,229	3,949,126
Accrued expenses and other current liabilities	3,472,721	4,165,432	7,148,029	1,083,034	7,148,029	1,083,034
<b>Total current liabilities</b>	<b>126,816,560</b>	<b>115,357,940</b>	<b>148,555,300</b>	<b>22,508,379</b>	<b>148,555,300</b>	<b>22,508,379</b>
Long-term liabilities	1,125,392	1,572,785	3,482,548	527,659	3,482,548	527,659
<b>Total liabilities</b>	<b>127,941,952</b>	<b>116,930,725</b>	<b>152,037,848</b>	<b>23,036,038</b>	<b>152,037,848</b>	<b>23,036,038</b>
<b>Commitments and contingencies(Note 18)</b>						
<b>Mezzanine equity</b>						
Series A convertible redeemable preferred shares (US\$0.01 par value, 130 million shares authorized and issued as of December 31, 2009 and 2010; aggregate liquidation value of RMB197 million and RMB246 million as of December 31, 2009 and 2010, respectively, and none outstanding on a pro-forma basis as of December 31, 2010)	—	183,773,845	390,182,505	59,118,561	—	—
<b>Shareholders' equity/(deficit):</b>						
Ordinary shares (US\$0.01 par value, 870 million shares authorized, 320,343,500, 322,345,437 and 363,497,237 shares issued and outstanding as at December 31, 2008, 2009 and 2010, respectively, and 173,497,237 Class A ordinary shares and 320,000,000 Class B ordinary shares outstanding on a pro-forma basis as of December 31, 2010)	22,262,844	22,399,604	25,140,051	3,809,099	33,720,051	5,109,099
Additional paid-in capital	10,871,695	7,617,603	—	—	381,602,505	57,818,561
Statutory reserves	4,401,294	6,316,951	10,314,489	1,562,801	10,314,489	1,562,801
Accumulated deficit	(24,569,498)	(26,198,288)	(129,411,324)	(19,607,776)	(129,411,324)	(19,607,776)
Accumulated other comprehensive income/(loss)	3,299,328	3,461,375	(1,001,414)	(151,730)	(1,001,414)	(151,730)
<b>Total shareholders' equity/(deficit)</b>	<b>16,265,663</b>	<b>13,597,245</b>	<b>(94,958,198)</b>	<b>(14,387,606)</b>	<b>295,224,307</b>	<b>44,730,955</b>
<b>Total liabilities, mezzanine equity and shareholders' equity</b>	<b>144,207,615</b>	<b>314,301,815</b>	<b>447,262,155</b>	<b>67,766,993</b>	<b>447,262,155</b>	<b>67,766,993</b>

The accompanying notes are an integral part of these consolidated financial statements.

Phoenix New Media Limited

Consolidated Statements of Operations for the Years Ended December 31, 2008, 2009 and 2010

	For the Year Ended December 31,			
	2008	2009	2010	2010
	RMB	RMB	RMB	US\$
				(Note 2d)
<b>Revenues<sup>(1)</sup>:</b>				
Net advertising revenues	40,259,175	81,631,940	204,369,330	30,965,050
Paid service revenues	182,366,669	180,714,837	324,326,213	49,140,335
<b>Total revenues</b>	<b>222,625,844</b>	<b>262,346,777</b>	<b>528,695,543</b>	<b>80,105,385</b>
<b>Cost of revenues<sup>(1)(2)</sup></b>	<b>(163,501,745)</b>	<b>(170,062,026)</b>	<b>(299,422,702)</b>	<b>(45,367,076)</b>
<b>Gross profit</b>	<b>59,124,099</b>	<b>92,284,751</b>	<b>229,272,841</b>	<b>34,738,309</b>
<b>Operating expenses<sup>(1)(2)</sup>:</b>				
Sales and marketing expenses	(33,854,646)	(46,363,741)	(76,151,842)	(11,538,157)
General and administrative expenses	(37,613,385)	(27,727,026)	(39,955,184)	(6,053,816)
Technology and product development expenses	(17,104,228)	(16,578,926)	(31,012,453)	(4,698,857)
<b>Total operating expenses</b>	<b>(88,572,259)</b>	<b>(90,669,693)</b>	<b>(147,119,479)</b>	<b>(22,290,830)</b>
<b>(Loss)/Income from operations</b>	<b>(29,448,160)</b>	<b>1,615,058</b>	<b>82,153,362</b>	<b>12,447,479</b>
<b>Other (expenses)/income:</b>				
Interest income	1,049,473	495,578	581,942	88,173
Foreign currency exchange gain	511,875	21,977	312,678	47,375
Others, net	(414,875)	(185,781)	1,533,887	232,408
<b>(Loss)/Income before tax</b>	<b>(28,301,687)</b>	<b>1,946,832</b>	<b>84,581,869</b>	<b>12,815,435</b>
Income taxes benefit/(expenses)	149,070	(1,659,965)	(10,498,612)	(1,590,699)
<b>Net (loss)/income attributable to Phoenix New Media Limited</b>	<b>(28,152,617)</b>	<b>286,867</b>	<b>74,083,257</b>	<b>11,224,736</b>
Accretion to convertible redeemable preferred share redemption value	—	(14,128,918)	(206,408,660)	(31,274,039)
Income allocation to participating preferred shares	—	(286,867)	(33,092,592)	(5,014,029)
Amortization of beneficial conversion feature	—	(17,137,659)	—	—
<b>Net loss attributable to ordinary shareholders</b>	<b>(28,152,617)</b>	<b>(31,266,577)</b>	<b>(165,417,995)</b>	<b>(25,063,332)</b>
Net loss per ordinary share—Basic	(0.09)	(0.10)	(0.51)	(0.08)
Net loss per ordinary share—Diluted	(0.09)	(0.10)	(0.51)	(0.08)
Weighted average number of ordinary shares used in computing basic loss per share	320,013,175	321,387,913	327,045,493	327,045,493
Weighted average number of ordinary shares used in computing diluted loss per share	320,013,175	321,387,913	327,045,493	327,045,493

(1) Revenues, cost of revenues and operating expenses include transactions with related parties as follows:

Net advertising revenues	3,134,483	3,845,356	4,823,959	730,903
Paid service revenues	164,641,721	157,276,329	294,027,450	44,549,614
Cost of revenues	(26,909,948)	(24,721,326)	(38,800,015)	(5,878,790)
Sales and marketing expenses	(3,722,236)	(3,920,369)	(7,181,070)	(1,088,041)
General and administrative expenses	(759,742)	(1,155,499)	(616,820)	(93,458)
Technology and product development expenses	(389,574)	(471,494)	(645,170)	(97,753)

(2) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

Cost of revenues	2,455,460	774,837	853,791	129,362
Sales and marketing expenses	6,539,136	2,903,762	4,664,446	706,734
General and administrative expenses	18,374,124	5,757,490	10,406,235	1,576,702
Technology and product development expenses	2,561,671	804,248	636,757	96,478

The accompanying notes are an integral part of these consolidated financial statements.

**Phoenix New Media Limited**  
**Consolidated Statements of Shareholders' Equity/(Deficit) and Comprehensive Income/(Loss) for the**  
**Years Ended December 31, 2008, 2009 and 2010**

	Ordinary shares		Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income RMB	Retained earnings / (accumulated deficit) RMB	Total shareholders' equity/(deficit) RMB
	Shares	Amount RMB					
<b>Balance as of January 1, 2008</b>	<b>320,000,000</b>	<b>22,239,367</b>	<b>(20,072,685)</b>	<b>3,187,544</b>	<b>317,629</b>	<b>4,796,869</b>	<b>10,468,724</b>
Expenses allocated from Phoenix TV Group	—	—	961,927	—	—	—	961,927
Share-based compensation	—	—	29,930,391	—	—	—	29,930,391
Exercise of share options	343,500	23,477	52,062	—	—	—	75,539
Appropriations to statutory reserves	—	—	—	1,213,750	—	(1,213,750)	—
Comprehensive loss:							
Foreign currency translation adjustment, net of nil tax	—	—	—	—	2,981,699	—	2,981,699
Net loss	—	—	—	—	—	(28,152,617)	(28,152,617)
<b>Total comprehensive loss</b>							<b>(25,170,918)</b>
<b>Balance as of December 31, 2008</b>	<b>320,343,500</b>	<b>22,262,844</b>	<b>10,871,695</b>	<b>4,401,294</b>	<b>3,299,328</b>	<b>(24,569,498)</b>	<b>16,265,663</b>
Expenses incurred on behalf of Phoenix TV Group	—	—	(112,690)	—	—	—	(112,690)
Share-based compensation	—	—	10,240,337	—	—	—	10,240,337
Exercise of share options	2,001,937	136,760	747,179	—	—	—	883,939
Appropriation to statutory reserves	—	—	—	1,915,657	—	(1,915,657)	—
Beneficial conversion feature of Series A convertible preferred shares	—	—	17,137,659	—	—	—	17,137,659
Amortization of beneficial conversion feature	—	—	(17,137,659)	—	—	—	(17,137,659)
Accretion to series A convertible redeemable preferred shares redemption	—	—	(14,128,918)	—	—	—	(14,128,918)
Comprehensive income:							
Foreign currency translation adjustment, net of nil tax	—	—	—	—	162,047	—	162,047
Net income	—	—	—	—	—	286,867	286,867
<b>Total comprehensive income</b>							<b>448,914</b>
<b>Balance as of December 31, 2009</b>	<b>322,345,437</b>	<b>22,399,604</b>	<b>7,617,603</b>	<b>6,316,951</b>	<b>3,461,375</b>	<b>(26,198,288)</b>	<b>13,597,245</b>
Share-based compensation	—	—	16,561,229	—	—	—	16,561,229
Exercise of share options	41,151,800	2,740,447	6,851,073	—	—	—	9,591,520
Shareholders' contribution	—	—	2,080,000	—	—	—	2,080,000
Appropriation to statutory reserves	—	—	—	3,997,538	—	(3,997,538)	—
Accretion to series A convertible redeemable preferred shares redemption	—	—	(33,109,905)	—	—	(173,298,755)	(206,408,660)
Comprehensive income:							
Foreign currency translation adjustment, net of nil tax	—	—	—	—	(4,462,789)	—	(4,462,789)
Net income	—	—	—	—	—	74,083,257	74,083,257
<b>Total comprehensive income</b>							<b>69,620,468</b>
<b>Balance as of December 31, 2010</b>	<b>363,497,237</b>	<b>25,140,051</b>	<b>—</b>	<b>10,314,489</b>	<b>(1,001,414)</b>	<b>(129,411,324)</b>	<b>(94,958,198)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Phoenix New Media Limited**

**Consolidated Statements of Cash Flows for the Years Ended December 31, 2008, 2009 and 2010**

	For the Year Ended December 31,			
	2008	2009	2010	2010
	RMB	RMB	RMB	US\$ (Note 2d)
<b>Cash flows from operating activities:</b>				
<b>Net (loss)/income</b>	(28,152,617)	286,867	74,083,257	11,224,736
Adjustments to reconcile net (loss)/income to net cash used in operating activities:				
Share-based compensation cost	29,930,391	10,240,337	16,561,229	2,509,277
Allowance of provision for doubtful debts	1,573,243	247,641	1,048,822	158,912
Depreciation and amortization expenses	3,041,269	6,137,947	8,117,398	1,229,909
Deferred income tax	(1,274,462)	(15,098)	1,572,295	238,227
Loss on disposal of property and equipment	—	—	49,622	7,518
Expenses allocated from Phoenix TV Group	1,171,259	186,724	—	—
Foreign exchange gain	(511,875)	(21,977)	(312,678)	(47,375)
Changes in operating assets and liabilities:				
Accounts receivable	(11,150,182)	(13,673,869)	(42,774,317)	(6,480,958)
Prepayment and other current assets	(3,292,754)	(1,081,030)	(12,563,663)	(1,903,585)
Amounts due from related parties	(7,321,432)	3,186,235	(7,790,620)	(1,180,397)
Note receivable	1,188,620	(14,040)	596,237	90,339
Other non-current assets	(1,667,967)	(2,796,536)	1,981,152	300,175
Accounts payable	6,579,817	4,744,696	31,469,279	4,768,073
Advance from customers	951,160	3,222,781	2,842,255	430,645
Salary and welfare payable	3,236,600	257,103	15,946,917	2,416,200
Taxes payable	(693,466)	453,470	7,931,175	1,201,693
Amounts due to related parties	16,282,484	(21,128,796)	(17,974,863)	(2,723,464)
Accrued expenses and other current liabilities	2,859,699	692,711	2,982,597	451,909
Long-term liabilities	1,125,392	447,393	1,909,763	289,358
<b>Net cash provided by / (used in) operating activities</b>	<b>13,875,179</b>	<b>(8,627,441)</b>	<b>85,675,857</b>	<b>12,981,192</b>
<b>Cash flows from investing activities:</b>				
Purchase of property and equipment and intangible assets	(12,107,938)	(6,555,102)	(18,058,546)	(2,736,143)
<b>Net cash used in investing activities</b>	<b>(12,107,938)</b>	<b>(6,555,102)</b>	<b>(18,058,546)</b>	<b>(2,736,143)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of series A convertible redeemable preferred shares, net of issuance cost	—	169,644,927	—	—
Proceeds from the exercise of share options	75,539	440,319	9,997,437	1,514,763
Cash payment to VIEs' legal shareholders	—	—	(7,920,000)	(1,200,000)
Payment of initial public offering related expenses	—	—	(1,457,042)	(220,765)
<b>Net cash provided by financing activities</b>	<b>75,539</b>	<b>170,085,246</b>	<b>620,395</b>	<b>93,998</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,493,575</b>	<b>184,026</b>	<b>(4,150,110)</b>	<b>(628,805)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,336,355</b>	<b>155,086,729</b>	<b>64,087,596</b>	<b>9,710,242</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>62,662,770</b>	<b>67,999,125</b>	<b>223,085,854</b>	<b>33,800,887</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>67,999,125</b>	<b>223,085,854</b>	<b>287,173,450</b>	<b>43,511,129</b>
<b>Supplemental disclosures of cash flow information:</b>				
Cash paid during the year for income taxes	1,092,468	1,739,059	3,829,785	580,270

The accompanying notes are an integral part of these consolidated financial statements.

## Phoenix New Media Limited

### Notes to the Consolidated Financial Statements

#### 1. Organization and Principal Activities

Phoenix New Media Limited ("PNM", or the "Company") was incorporated in the Cayman Islands on November 22, 2007 by Phoenix Satellite Television (B.V.I.) Holding Limited (the "Parent"), a subsidiary of Phoenix Satellite Television Holdings Ltd. (the "Phoenix TV"). Phoenix TV, its subsidiaries and variable interest entities ("VIEs") are collectively referred to as the Phoenix TV Group.

As of December 31, 2010, the Company had five subsidiaries, two VIEs for which a subsidiary of the Company is the primary beneficiary, and one subsidiary of a VIE. The Company, its subsidiaries, VIEs and subsidiary of the VIE are hereinafter collectively referred to as the Group. The Group generates revenues from providing advertising services on the Phoenix websites and paid services, which include mobile Internet and value-add services ("MIVAS"), video value-added services ("video VAS") and Internet value-added services ("Internet VAS"). The VIEs, each of which is owned by two People's Republic of China ("PRC") citizens, hold the necessary licenses and approvals to operate Internet-related businesses in the PRC. In addition, the VIEs are in the process of applying for certain licenses for the operations of their businesses, including Internet audio-visual program transmission license and Internet news license.

The details of the subsidiaries, VIEs and the subsidiary of one of the VIEs as of December 31, 2010 are set out below:

Name	Place of Incorporation	Date of Incorporation	Percentage of Direct or Indirect Economic Ownership	Principal Activity
<b>Direct subsidiary:</b>				
Phoenix Satellite Television Information Limited	British Virgin Islands ("BVI")	September 1, 1999	100%	Investment holding
<b>Indirect subsidiaries:</b>				
PHOENIXi Investment Limited ("PHOENIXi")*	BVI	October 28, 1999	94.3%	In liquidation
PHOENIXi INC*	the United States of America	June 3, 1999	94.3%	In liquidation
Guofeng On-line (Beijing) Information Technology Co., Ltd. ("Guofeng On-line")*	PRC	April 18, 2000	94.3%	In liquidation
Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Fenghuang On-line")	PRC	December 20, 2005	100%	Technical consulting
<b>Variable interest entities ("VIEs")</b>				
Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("Tianying Jiuzhou")	PRC	April 18, 2000	100%	Advertising, MIVAS and mobile video services
Yifeng Lianhe (Beijing) Technology Co., Ltd. ("Yifeng Lianhe")	PRC	June 16, 2006	100%	MIVAS and mobile video services
<b>Direct subsidiary of Tianying Jiuzhou:</b>				
Beijing Tianying Chuangzhi Advertising Co., Ltd. ("Tianying Chuangzhi")	PRC	February 8, 2010	100%	Advertising

\* PHOENIXi and its subsidiaries, PHOENIXi INC and Guofeng On-line have been undergoing liquidation since October 2006. The Company deconsolidated PHOENIXi and its subsidiaries upon the commencement of the liquidation process. Refer to Note 17.

**Phoenix New Media Limited**

**Notes to the Consolidated Financial Statements (Continued)**

**1. Organization and Principal Activities (Continued)**

Prior to May 2008, the Group's business was operated by Phoenix Satellite Television Information Limited (the "BVI Company") and its subsidiaries, which were ultimately owned by Phoenix TV.

In May 2008, the Group undertook a restructuring and reorganization (the "Reorganization"). The Company issued 319,999,999 ordinary shares to the Parent in exchange for all the shares of the BVI Company held by the Parent. As a result, the BVI Company became a wholly owned subsidiary of the Company, thereby, completing the Reorganization.

In order to comply with Chinese laws and regulations that prohibit or restrict foreign ownership of companies that operate Internet content and advertising businesses, for the periods presented prior to December 31, 2009, Fenghuang On-line has entered into technical service agreement ("Service Agreement") with Tianying Jiuzhou, the PRC legal entity that has the licenses to operate such businesses, and was effectively absorbing the majority of Tianying Jiuzhou's residual returns and expected losses. The paid-in capital of Yifeng Lianhe, which also has licenses to operate Internet content businesses in PRC, was loaned by Tianying Jiuzhou. Through the aforementioned activities, Tianying Jiuzhou and Yifeng Lianhe are considered VIEs in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP"). Fenghuang On-line, is entitled to substantially all the economic risks and rewards associated with Tianying Jiuzhou and Yifeng Lianhe, and is the primary beneficiary of these entities.

On December 31, 2009, a series of agreements (the "Contractual Agreements") were entered into among Fenghuang On-line, Tianying Jiuzhou, Yifeng Lianhe and the VIEs' legal shareholders. Fenghuang On-line also repaid the paid-in-capital of Tianying Jiuzhou to its legal shareholders amounted to RMB7.9 million upon entering into the Contractual Agreements.

***Voting Right Entrustment Agreements***

Pursuant to the voting right entrustment agreements among the VIEs, their legal shareholders and Fenghuang On-line, each legal shareholder of the VIEs has agreed to grant a person designated by Fenghuang On-line the right to exercise their rights as shareholders, including all voting rights, as well as rights to attend and propose the convening of shareholder meetings. Unless otherwise required by law, the voting right entrustment agreements will remain in effect indefinitely unless both parties agree to terminate the agreement in writing, or unless Fenghuang On-line decides in its discretion to terminate the relevant agreement.

***Exclusive Equity Option Agreements***

Under the exclusive equity option agreement among the VIEs, their legal shareholders and Fenghuang On-line, the legal shareholders of the VIEs irrevocably granted Fenghuang On-line or its designated person an irrevocable, unconditional and exclusive option to purchase, to the extent permitted by applicable PRC laws, all of the equity interest in the VIEs from the legal shareholders. The purchase price for the entire equity interest is to be calculated based on the paid-up amount of the relevant equity interest or the minimum price permitted by applicable PRC laws. The exclusive equity option agreement will remain in effect until all of the equity interests in the VIEs have been duly transferred to Fenghuang On-line or its designated representative.

**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****1. Organization and Principal Activities (Continued)*****Loan Agreements***

Pursuant to the loan agreements among Fenghuang On-line and the VIEs' legal shareholders, Fenghuang On-line granted interest-free loans to the legal shareholders of the VIEs in the amount that is equal to their respective capital contribution in the VIEs. The loans can be repaid only with proceeds from the sale of all of the respective shareholder's equity interests in the applicable VIE to Fenghuang On-line or its designated representatives pursuant to the applicable exclusive equity option agreement. The term of each loan is ten years, and may be extended upon mutual agreement of the parties.

***Equity Pledge Agreements***

Under the equity pledge agreement among the VIEs, their legal shareholders and Fenghuang On-line, the legal shareholders of the VIEs have pledged their respective equity interests in the VIEs to Fenghuang On-line to secure the performance of the obligations of the VIEs and their legal shareholders under the applicable exclusive technical licensing and services agreement, voting right entrustment agreement, exclusive equity option agreement and loan agreement. The equity pledge agreements will remain in effect until the secured obligations have been fully performed by the VIEs or released by Fenghuang On-line.

***Exclusive Technical Licensing and Service Agreements***

Under the exclusive technical licensing and service agreements between Fenghuang On-line and each of the VIEs, Fenghuang On-line has the exclusive right to provide technical and consulting services to the VIEs, including developing and upgrading various software, developing system technology, maintaining operational hardware and providing various training and consulting services, among other services. The VIEs have agreed to pay a service fee to Fenghuang On-line equal to a certain percentage of their respective annual revenues plus a special service fee for certain services rendered by Fenghuang On-line at the request of the VIEs. The technical service agreements also transfer all of the economic benefit of intellectual property created by the affiliated consolidated entities to Fenghuang On-line. Each exclusive technical services agreement will remain in effect indefinitely and can be terminated only by Fenghuang On-line unless otherwise required by law.

The Group has evaluated the relationship among the Company, Fenghuang On-line and the VIEs in accordance with US GAAP. Pursuant to the voting right entrustment agreements, the Company has obtained power, as granted to the legal shareholders by the applicable PRC law and under the articles of association of the VIEs, to direct all significant activities of the VIEs, which include but are not limited to budgeting, financing, and making other strategic and operational decisions, and will significantly impact the VIEs' economic performance. Pursuant to the exclusive technical licensing and service agreements and other agreements, the Company has the right to receive benefits of the VIEs in the form of technical service fees, which could potentially be significant to the VIEs' net income. In addition, the Company has right to receive all the residual assets of the VIEs through exercise of the exclusive equity option agreements. As a result, the Company, through Fenghuang On-line, is considered the primary beneficiary of the VIEs and therefore includes the VIEs' assets, liabilities and operating results in its consolidated financial statements.

As of December 31, 2010, the total assets for the consolidated VIEs and their subsidiary were RMB207.4 million, mainly comprising cash and cash equivalents, accounts receivable and fixed assets. As of December 31, 2010, the total liabilities for the consolidated VIEs and their subsidiary were RMB181.4 million, mainly comprising accrued salary and benefits and taxes payable. These balances are



**Phoenix New Media Limited**

**Notes to the Consolidated Financial Statements (Continued)**

**1. Organization and Principal Activities (Continued)**

reflected in the Company's consolidated financial statements with intercompany transactions eliminated. With the Contractual Agreements with the VIEs, the Company has power to direct activities of the VIEs, and can freely have assets transferred out of the VIEs without any restrictions. Therefore the Company considers that there is no asset in the consolidated VIEs that can be used only to settle obligations of the VIE, except for the registered capital and PRC statutory reserves of the VIEs amounted to RMB23.1 million (US\$3.5 million) as of December 31, 2010. As both the consolidated VIEs are incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of the Company for all the liabilities of the consolidated VIE, consisted of RMB177.9million (US\$27.0 million) current liabilities and RMB3.5 million (US\$0.5 million) long-term liabilities as of December 31, 2010.

Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIEs. As the Company is conducting its Internet-related business mainly through the VIEs, the Company may provide such support on a discretionary basis in the future, which could expose the Company to a loss.

There is no VIE where the Company has variable interest but is not the primary beneficiary.

**2. Principal Accounting Policies**

**(a) Basis of presentation, principles of consolidation and cost allocations**

The consolidated financial statements include the financial statements of the Company, its subsidiaries, its VIEs for which Fenghuang On-line is the primary beneficiary, and the subsidiary of one of its VIEs prepared on a going concern basis. The consolidated financial statements do not include the financial statements of PHOENIXi and its subsidiaries on a consolidated basis as they are undergoing liquidation and the Company exercises no control or significant influence but rather account for them under the cost method and recognize any other than temporary impairment (see Note 17). All significant transactions and balances among the Company, its subsidiaries, VIEs and subsidiary of the VIE have been eliminated upon consolidation.

The Reorganization as described in Note 1 has been accounted for on a carryover basis as a reorganization of businesses under common control in a manner similar to a pooling of interests.

The Group's consolidated statement of operations include all the related costs of providing advertising services and paid services, including those costs incurred by Phoenix TV Group to produce its program contents, which are also used to support the Group's operations. Prior to year 2010, these content production costs are allocated to the Group based on relative revenues generated from these contents by the Group and by Phoenix TV Group.

The Group's consolidated statement of operations also include an allocation of certain general corporate expenses from Phoenix TV Group, including allocation of advertising and promotion fees, technical services expenses, and corporate administrative expenses. These expenses are allocated to the Group using the following principles for the years before 2010.

- a) Advertising and promotion fees are allocated to the Group based on percentage of revenue of the Group to the total historical revenue of Phoenix TV Group.
- b) Technical service expenses relate to salaries, bonuses and other benefits of the technical support staffs which are allocated to the Group based on percentage of estimated time incurred for PNM

**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****2. Principal Accounting Policies (Continued)**

business to total time incurred for Phoenix TV Group, and technical service fees paid to external parties by other entities of Phoenix TV Group on behalf of the Group.

- c) Corporate administrative expenses relate to salaries, bonuses and other benefits of the Phoenix TV's top management which are allocated to the Group based on percentage of estimated time incurred for PNM business to total time incurred for Phoenix TV Group, and other general corporate expenses paid to external parties by other entities of Phoenix TV Group on behalf of the Group.

In November 2009, the Company entered into an agreement with Phoenix TV which stipulates the costs to be paid by the Group related to content and advertising and promotion costs (See Note 18(a)). The agreement is effective as of January 1, 2010. Accordingly, the related costs and expenses are allocated to the Group based on the agreement for the year ended December 31, 2010.

Total expenses allocated from Phoenix TV Group are included in the Company's consolidated statement of operations as follows:

	<b>For the Year Ended December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Cost of revenues	1,175,075	1,934,829	4,023,022
Sales and marketing expenses	3,722,236	3,920,369	7,181,070
General and administrative expenses	759,742	1,155,499	616,820
Technology and product development expenses	389,574	471,494	645,170
<b>Total</b>	<b>6,046,627</b>	<b>7,482,191</b>	<b>12,466,082</b>

Management believes the bases and amounts of these allocations are reasonable.

The Company settles certain of the allocated expenses by paying cash to Phoenix TV Group, specifically back office services, dataline usage, and other operating expenses. For the remainder of the allocated expenses which relate to content and advertising and promotion costs, the net amount between amounts Phoenix TV Group allocates and the amounts Phoenix TV Group directs the Group to pay on its behalf to suppliers as a capital contribution from Phoenix TV Group or a distribution of equity to Phoenix TV Group.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to appoint or remove the majority of the members of the board of directors; to cast majority of votes at the meeting of the board of directors or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

Accounting Standards Codification ("ASC") 810 "Consolidation" provides guidance on the identification of and financial reporting for entities over which control is achieved through means other than voting interests, which requires certain VIEs to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity risk for the entity to finance its activities without additional subordinated financial support from other parties. Through the above contractual arrangements, Fenghuang On-line holds all the variable interests of the VIEs and has been determined to be the primary beneficiary of the VIEs.

**Phoenix New Media Limited**

**Notes to the Consolidated Financial Statements (Continued)**

**2. Principal Accounting Policies (Continued)**

**(b) Use of estimates**

The preparation of the Company's consolidated financial statements in conformity with the US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from such estimates. The Company believes that the allocation of content costs and other corporate expenses, the determination of estimated selling prices of multiple elements revenues contract, accounting for income taxes, allowances for doubtful debt, share-based compensation, consolidation, determination of the estimated useful lives of assets and foreign currency represent critical accounting policies that reflect the more significant judgments and estimates used in the preparation of its consolidated financial statements.

**(c) Foreign currency translation**

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its subsidiaries incorporated in the BVI and in the United States is United States dollar ("US\$"), while the functional currency of the other entities in the Group is RMB. In the consolidated financial statements, the financial information of the Company and its subsidiaries, which use US\$ as their functional currency, have been translated into RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains, and losses are translated using the average rate for the year. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as a component of other comprehensive income or loss in the statement of shareholders' equity and comprehensive income.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are remeasured at the applicable rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement at year-end are recognized in foreign currency exchange gain/loss, net in the consolidated statement of operations.

**(d) Convenience translation**

Translations of amounts from RMB into US\$ for the convenience of the reader were calculated at the noon buying rate of US\$1.00 = RMB6.60 on December 31, 2010 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at such rate.

**(e) Fair value of financial instruments**

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable, salary and welfare payable, and accrued expenses. The carrying values of these financial instruments approximate their fair values due to their short-term maturities. On January 1, 2008, the Group adopted the US GAAP guidance on "Fair Value Measurements". Refer to Note 15 for details.

**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****2. Principal Accounting Policies (Continued)****(f) Cash and cash equivalents**

Cash and cash equivalents represent cash on hand, demand deposits and highly liquid investments placed with banks or other financial institutions, which are unrestricted as to withdrawal or use, and which have original maturities of three months or less.

**(g) Accounts receivable, net**

The carrying value of accounts receivable is reduced by an allowance that reflects the Company's best estimate of the amounts that will not be collected. The Company makes estimations for the collectability of accounts receivable considering many factors including but not limited to reviewing accounts receivable balances, historical bad debt rates, repayment patterns, customer credit worthiness, financial conditions of the customers and industry trend analysis, resulting in their inability to make payments due to the Company. The Group also makes a specific allowance if there is evidence showing that the receivable is likely to be not recoverable.

**(h) Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment. Property and equipment are depreciated over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

	<u>Estimated useful lives</u>
Computers and equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Leasehold improvements (lesser of lease terms or the estimated useful lives of assets)	2-3 years

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of operations.

**(i) Intangible assets**

Intangible assets mainly consist of computer software purchased from unrelated third parties and an Internet domain name. Intangible assets are stated at cost less accumulated amortization, which is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are 5 years for computer software, and 10 years for the Internet domain name.

**(j) Impairment of long-lived assets and intangible assets**

Long-lived assets and intangible assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value of an asset may not be recoverable. When these events occur, the Group assesses the recoverability of the long-lived assets and intangible assets by comparing the carrying amount to the estimated future undiscounted cash flows associated with the related assets. The Group recognizes impairment of long-lived assets and intangible assets in the event that the carrying value

**Phoenix New Media Limited**

**Notes to the Consolidated Financial Statements (Continued)**

**2. Principal Accounting Policies (Continued)**

of such assets exceeds the estimated future discounted cash flows attributable to such assets. No impairment of long-lived assets and intangible assets was recognized for any of the periods presented.

**(k) Note receivable**

Note receivable represents a promissory note investment in PHOENIXi, a subsidiary which is undergoing liquidation process since October 2006. Refer to Note 17.

**(l) Revenue recognition**

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, service is performed and collectability of the related fee is reasonably assured.

In October 2009, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2009-13 Multiple Deliverable Revenue Arrangements to address the accounting for multiple-deliverable arrangements. ASU 2009-13 is effective prospectively in fiscal years beginning upon or after June 15, 2010, and early adoption is permitted. The Group has elected early adoption ASU 2009-13 through a retrospective application to all revenue arrangements for all periods presented of the financial statements.

**(i) Advertising revenues**

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on the Group's website in different formats over a particular period of time. Such formats generally include but are not limited to banners, text-links, videos, logos, buttons, and rich media. Advertisements on the Group's website are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contracts are recognized ratably over the contract period of display.

The majority of the Group's advertising revenue arrangements involve multiple element deliverables, including placements of different advertisement formats on the Group's website over different periods of time. The Group breaks down the multiple element arrangements into single units of accounting when possible, and allocates total consideration to each single unit of accounting using the relative selling price method. The Group recognizes revenue on the elements delivered and defers the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight line basis over the contract period.

*Agency service fees to third-party advertising agencies*

The Group provides cash incentives in the form of agency service fees to certain third-party advertising agencies based on sales performance, and accounts for such incentives as a reduction of revenue in accordance with ASC 605-50-25. The Group has estimated and recorded RMB2.9 million, RMB8.6 million and RMB26.9 million in agency service fees to third-party advertising agencies for the years ended December 31, 2008, 2009 and 2010, respectively.

**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****2. Principal Accounting Policies (Continued)***Barter transactions*

The Group enters into cross-promotional agreements, which represent advertising-for-advertising barter transactions, and follows ASC 605-20 Revenue recognition: Services. Such barter transactions should be recorded at fair value only if such value of the advertising surrendered in the transaction is determinable within reasonable limits. The Group did not recognize revenue for such barter transactions since the fair value is not determinable for any of the periods presented.

**(ii) Paid service revenues**

Paid service revenues are derived from MIVAS, video VAS and Internet VAS.

*MIVAS*

MIVAS revenues are derived from providing mobile phone users with digital reading services, mobile game services and wireless value-added services ("WVAS"). WVAS include short messaging services ("SMS"), multi-media messaging services ("MMS"), music services such as ring-back tone ("RBT"), interactive voice response ("IVR") and wireless application protocol ("WAP") services. Revenues from MIVAS are charged on a monthly or per-usage basis. Such revenues are recognized in the period in which the service is performed, provided that no significant obligation remains, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

The Company contracts with China Mobile Communication Corporation and its subsidiaries ("CMCC"), and to a lesser degree, other mobile operators, for billing, collection and transmission services related to the MIVAS offered to its users. The determination of whether to record these revenues using the gross or net method is based on an assessment of various factors; the primary factors are whether the Company is acting as the principal in offering services to the customer or as an agent in the transaction, and the specific requirement of each contract.

For mobile game services and most of WVAS, the Company designs and develops the services offered, has reasonable latitude to establish price, and is responsible to provide desired services to the customers. The Company is thus considered the primary obligor in these transactions, and revenues from these services are recorded on a gross basis. Revenues from digital reading services and music services are recorded on a net basis as the Company is acting as an agent of operators in these transactions.

Due to the time lag between when the services are rendered and when the operator billing statements are received, most MIVAS revenues are estimated based on the Company's internal billing records and transmissions for the month, adjusting for prior periods' confirmation rates with operators and prior periods' discrepancies between internally estimated revenues and actual revenues confirmed by operators. There was no significant difference between the Company's estimates and the operators' billing statements for all the periods presented.

The Company also contracts with CMCC to provide news contents and other services to support CMCC's own mobile newspaper products. A fixed fee is charged for the contract period, and is recognized as revenue using straight-line method.

*Video VAS*

The Company provides video programming such as documentaries, news clips and features edited and produced by us to the customers through its online subscription and pay-per-view video services and

**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****2. Principal Accounting Policies (Continued)**

mobile subscription and pay-per-view video services. Such revenues are recognized in the period in which the service is performed, provided no significant obligation remains, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

The Company contracts with CMCC and other mobile operators for billing, collection and transmission services related to the mobile video services. Revenues from mobile video services are recorded on a net basis as the operators are considered primary obligor in the transaction.

The Group also generates revenues from video content sales agreements for television programming produced by Phoenix TV Group. The video content sales agreements the Group enters into involve the transfer of non-exclusive broadcasting rights to other third party websites or other Internet and mobile media companies for a definitive license period. In accordance with ASC 926-605, *Entertainment-Films, Revenue Recognition*, the Group recognizes revenues in respect of its video content sales arrangements when the following criteria are met: persuasive evidence of a video content sales arrangement with a customer exists, the content has been delivered or is available for immediate and unconditional delivery, the sublicense period of the arrangement has begun and the customer can begin its exhibition, the arrangement fee is fixed or determinable and collection of the arrangement fee is reasonably assured. Pursuant to the Phoenix TV Cooperation Agreement, the Group pays Phoenix TV 50% of the revenues the Group earns from sales of Phoenix TV's video content, which is recorded in cost of revenues.

*Internet VAS*

Internet VAS mainly consisted of online promotion solutions, including Internet advertising campaigns, Internet website design and development for special marketing events raised by the customers, and other Internet VAS. Such revenues are recognized ratably over the period during which the required services were provided and when all revenue recognition criteria were met.

**(m) Cost of revenues**

Our cost of revenues consists primarily of i) revenue sharing fees paid to or retained by mobile telecommunications operators, ii) content and operational costs, including salary expenses associated with content production and advertisement sales support, content procurement costs to third party professional media companies and to Phoenix TV, administrative costs related to in-house content production, rental, depreciation and other operating costs, iii) bandwidth costs, and iv) business taxes and related surcharges.

In China, business taxes are imposed by the government on the revenues reported by the selling entities for the provision of taxable services in China, transfer of intangible assets and the sale of immovable properties in China. The business tax rate varies depending on the nature of the revenues. The Group is also subject to cultural development fee on the provision of advertising services in China. As a result of the Group's current structure in the PRC, the Group's revenues are subject to business tax and surcharge more than once. The VIEs' advertising revenues earned from external customers are subject to business taxes, surcharges and cultural development fees of 8.5%. The VIEs' paid service revenues earned from external customers are subject to business taxes and surcharges of 3.3% to 5.5%. Additionally, the technical service fees paid by the VIEs to Fenghuang On-line pursuant to the Contractual Agreements are subject to business taxes and surcharges of 5% to 5.5%.

The Company includes the business tax and surcharges incurred in cost of revenues. The business tax and surcharges in cost of revenues for the years ended December 31, 2008, 2009 and 2010 were RMB7.8 million, RMB13.8 million and RMB28.3 million, respectively.

**Phoenix New Media Limited**

**Notes to the Consolidated Financial Statements (Continued)**

**2. Principal Accounting Policies (Continued)**

**(n) Sales and marketing expenses**

Sales and marketing expenses comprise primarily of the sales and marketing personnel-related expenses and advertising and promotion expenses.

The Group expenses advertising costs as incurred. Total advertising expenses were RMB1.8 million, RMB5.9 million and RMB10.6 million for the years ended December 31, 2008, 2009 and 2010, respectively.

**(o) Technology and product development expenses**

Technology and product development expenses mainly consist of: i) personnel-related expenses associated with the development of, enhancement to, and maintenance of the Group's websites and expenses associated with new technology and product development and enhancement; and ii) rental and depreciation of office building and servers. The Group expenses technology and product development expenses as incurred for all the periods presented.

**(p) Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the lease term. The Group normalizes rent expense on operating leases that involve rent concessions.

**(q) Share-based compensation**

The Company measures the cost of employee services received in exchange for share-based compensation at the grant date fair value of the award. The Company recognizes the share-based compensation costs, net of forfeitures, on a graded-vesting basis over the vesting term of the award.

The Company adopts the Black-Scholes option pricing model to determine the fair value of share options and account for share-based compensation cost using an estimated forfeiture rate at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Share-based compensation expense was recorded net of estimated forfeitures such that expense was recorded only for those share-based awards that are expected to vest. See Note 14 for further information regarding share-based compensation assumptions and expenses.

**(r) Income taxes**

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are provided using the liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purpose. The effect on deferred taxes of a change in tax rates is recognized in statement of operations in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.



**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****2. Principal Accounting Policies (Continued)***Uncertain tax positions*

The Group adopted the guidance on accounting for uncertainty in income taxes as of January 1, 2007. The guidance prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating the Group's uncertain tax positions and determining its provision for income taxes. The Group did not have any adjustment to the opening balance of retained earnings as of January 1, 2007 as a result of the implementation of the guidance. The Group did not have any interest and penalties associated with tax positions as of December 31, 2008, 2009 and 2010. See Note 11 for details of the Group's tax positions.

**(s) Employee social security and welfare benefits**

Full-time employees of the Group in mainland China are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed. Employee social benefits included as expenses in the accompanying statements of operations amounted to RMB7.3 million, RMB11.9 million and RMB17.9 million, for the years ended December 31, 2008, 2009 and 2010, respectively.

**(t) Statutory reserves**

Fenghuang On-line, Tianying Jiuzhou, Tianying Chuangzhi and Yifeng Lianhe are required to make appropriations to certain non-distributable reserve funds.

In accordance with the laws applicable to China's Foreign Investment Enterprises, Fenghuang On-line has to make appropriations from its after-tax profit (as determined under the Accounting Standards for Business Enterprises as promulgated by the Ministry of Finance of the People's Republic of China ("PRC GAAP")) to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the respective companies' discretion.

In accordance with China's Company Laws, Tianying Jiuzhou, Tianying Chuangzhi and Yifeng Lianhe must make appropriations from their after-tax profit (as determined under PRC GAAP) to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is at the discretion of the respective company.

**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****2. Principal Accounting Policies (Continued)**

The Group has made appropriations of RMB1.2 million, RMB1.9 million and RMB4.0 million to its statutory reserves for the years ended December 31, 2008, 2009 and 2010, respectively.

**(u) Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation.

**(v) Dividends**

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2008 and 2009 and 2010, respectively. The Group does not have any present plan to pay dividends on ordinary shares in the foreseeable future. The Group currently intends to retain the available funds and future earnings to operate and expand its business.

**(w) Loss per share**

Basic loss per share is computed by dividing net income attributable to ordinary shareholders, considering the accretion of redemption feature and amortization of beneficial conversion feature related to its convertible redeemable preferred shares (see Note 12), by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Net losses are not allocated to other participating securities if based on their contractual terms they are not obligated to share in the losses. Diluted loss per share is calculated by dividing net income attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of ordinary shares issuable upon the conversion of the Series A Preferred Shares using the if-converted method, and shares issuable upon the exercise of share options using the treasury stock method. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such share would be anti-dilutive.

**(x) Comprehensive income**

Comprehensive income is defined as the change in equity of the Company during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Comprehensive income or loss is reported in the consolidated statements of shareholders' equity and comprehensive income. Accumulated other comprehensive income of the Group includes the foreign currency translation adjustments.

**(y) Segment reporting**

Based on the criteria established by ASC 280 "Segment Reporting", the Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has internal reporting of cost and expenses that does not distinguish between segments, and reports costs and expenses by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Hence, the Group has only one operating segment. As the Group's

**Phoenix New Media Limited**

**Notes to the Consolidated Financial Statements (Continued)**

**2. Principal Accounting Policies (Continued)**

long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

**(z) Recently issued accounting pronouncements**

In December 2007, the FASB issued revised guidance on accounting for business combinations and non-controlling interests. The guidance changes the accounting for and reporting of business combination transactions and non-controlling interests in consolidated financial statements. It requires changes in classification and presentation of minority interests in the consolidated balance sheets, statements of income, and statements of stockholders equity. The revised guidance was effective for our company beginning on January 1, 2009. The adoption of the guidance did not have a material impact on our consolidated financial statements.

In March 2008, the FASB issued revised guidance to expand disclosure requirements for derivative instruments and hedging activities. The guidance provides greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, the guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The guidance was effective to us beginning on January 1, 2009 and did not have a material impact on our consolidated financial statements.

In April 2009, the FASB issued guidance on recognition and presentation of other-than-temporary impairments. This guidance amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other than-temporary impairments on debt and equity securities in the financial statements. This guidance does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. This guidance is effective no later than periods ending after June 15, 2009. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In May 2009, the FASB issued guidance on subsequent events that establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this guidance provides (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of this guidance did not have any material impact on our consolidated financial statements.

In June 2009, FASB issued ASC 105 which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. It is effective for the reporting period ending on September 30, 2009. The adoption of ASC 105 did not have any impact on our consolidated results of operations and financial condition.

**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****2. Principal Accounting Policies (Continued)**

In June 2009, the FASB issued authoritative guidance to eliminate the exception to consolidate a qualifying special-purpose entity, change the approach to determining the primary beneficiary of a variable interest entity and require companies to more frequently re-assess whether they must consolidate variable interest entities. Under the new guidance, the primary beneficiary of a variable interest entity is identified qualitatively as the enterprise that has both (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. The adoption of this guidance did not have material impact on our consolidated financial statements.

In August 2009, the FASB issued guidance on Fair Value Measurements and Disclosures—Measuring Liabilities at Fair Value. The new guidance aims to provide clarification relating to the fair value measurement of liabilities, especially in circumstances where a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain prescribed techniques. Techniques highlighted included using 1) the quoted price of the identical liability when traded as an asset, 2) quoted prices for similar liabilities when traded as assets, or 3) another valuation technique that is consistent with the principles of fair value measurements. The new guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. Finally, the guidance clarifies that both a quoted price in an active market for the identical liability and the quoted price for the identical liability when traded as an asset in an active market when no adjustment to the quoted price of the asset are required are Level 1 fair value measurements. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In October 2009, the FASB issued an accounting standard update on revenue recognition relating to multiple deliverable revenue arrangements. The fair value requirements of existing accounting guidance are modified by allowing the use of the "best estimate of selling price" in addition to vendor specific objective evidence ("VSOE") and third-party evidence ("TPE") for determining the selling price of a deliverable. A vendor is now required to use its best estimate of the selling price when VSOE or TPE of the selling price cannot be determined. In addition, the residual method of allocating arrangement consideration is no longer permitted. This update requires expanded qualitative and quantitative disclosure and is effective for fiscal years beginning on or after June 15, 2010 with early adoption permitted. We have early adopted this guidance through a retrospective application to all revenue arrangements for all periods presented in the financial statements.

In December 2009, the FASB issued Consolidations—Improvements to Financial Reporting by Enterprises Involved with VIEs. The amendments in this Accounting Standards Update replace the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and has (1) the obligation to absorb losses of the entity or (2) the right to receive financial interest in a variable interest entity. The amendments in this Update also require additional disclosures about a reporting entity's involvement in variable interest entities, which will enhance the information provided to users of financial statements. The new requirements were effective on January 1, 2010. The Company has adopted the new guidance in the first quarter of 2010 and the adoption did not have a material impact on the Company's consolidated financial statements.

**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****2. Principal Accounting Policies (Continued)**

In January 2010, the FASB issued an accounting standard update on improving disclosures about fair value measurements. The updated guidance amends existing disclosure requirements by adding required disclosures about items transferring into and out of Levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchase, sales, issuances, and settlements relative to Level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. This update is effective for fiscal years beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which is effective beginning the first quarter of 2011. Since this standard impacts disclosure requirements only, its adoption is not expected to have a material impact on the Company's consolidated results of operations or financial condition.

Accounting Standard Update, or ASU 2010-13, issued in April 2010, provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this Update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. Earlier application is permitted. Its adoption is not expected to have a material impact on the Company's consolidated results of operations or financial condition.

ASU 2010-20, issued in July 2010, enhances disclosures about the credit quality of financing receivables and the allowance for credit losses. The amendment requires an entity to provide a greater level of disaggregated information about the credit quality of its financing receivables and its allowance for credit losses. In addition, it requires disclosure of credit quality indicators, past due information, and modifications of its financing receivables. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. For non-public entities, the disclosures are effective for annual reporting periods ending on or after December 15, 2011. Since the Company does not have financial receivable as defined in the standard, its adoption is not expected to have a material impact on the Company's consolidated results of operations or financial condition.

**3. Certain Risks and Concentration****(a) Major customers**

The Group depends on CMCC, which is also a related party as a result of being a shareholder of Phoenix TV, for a significant portion of the business. CMCC is a major mobile network operator in China. It provides billing, collection and transmission services related to the paid services offered by most of the wireless service and content providers in China. The revenues generated and through and from CMCC for the years ended December 31, 2008, 2009 and 2010 were RMB164.6 million, RMB157.3 million and RMB281.6 million, respectively, which accounted for 74.0%, 59.9%, and 53.3% of respective periods' total revenues.

The accounts receivable from CMCC as of December 31, 2008, 2009 and 2010 were RMB11.9 million, RMB8.7 million and RMB16.5 million, respectively, which is included on the balance sheet as "Amounts

**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****3. Certain Risks and Concentration (Continued)**

due from related parties". Except for CMCC, there is no other customer with revenues or receivables over 10% of total revenues or total accounts receivable, respectively.

**(b) Credit risk**

The Group's credit risk arises from cash and cash equivalents, as well as credit exposures to receivables due from its customers, related parties and other parties, and note receivable due from PHOENIXi.

The Group expects that there is no significant credit risk associated with the bank deposits and cash and cash equivalents which were held by reputable financial institutions in the jurisdictions where the Company, its subsidiaries, VIEs and the subsidiary of one of the VIEs are located. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality.

The Group has no significant concentrations of credit risk with respect to its customers, except for the account receivable from CMCC as discussed above. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions.

The Group has a note receivable due from PHOENIXi which is undergoing liquidation process. The Group assesses impairment of the note receivable, taking into consideration the credit risk, and believes that the carrying value of the note approximates the realizable value upon the completion of PHOENIXi's liquidation process.

**(c) Foreign currency risk**

The Group's operating transactions and its assets and liabilities are mainly denominated in RMB. RMB is not freely convertible into foreign currencies. The value of the RMB is subject to changes by the central government policies and to international economic and political developments. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in China must be processed through PBOC or other China foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance.

**(d) PRC Regulations**

The Chinese market in which the Group operates exposes the Company to certain macro-economic and regulatory risks and uncertainties. These uncertainties extend to the ability of the Group to provide online advertising, mobile and Internet related services through contractual arrangements in the PRC since these industries remains highly regulated. The Chinese government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax laws, the status of properties leased for our operations and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Company's ability to conduct business in the PRC. The PRC government may also require us to restructure our operations entirely if it finds that our contractual arrangements do not comply with applicable laws and regulations. It is unclear how a restructuring could impact the Group's business and operating results, as the PRC government has not yet found any such contractual arrangements to be in noncompliance. However, any such restructuring may cause significant disruption to the Group's business operations.

## Phoenix New Media Limited

## Notes to the Consolidated Financial Statements (Continued)

## 4. Accounts Receivable, Net

The Company closely monitors the collection of its accounts receivable and records a reserve for doubtful accounts against accounts receivable balance and for specifically identified amounts that it believes are not recoverable. If the economic situation and the financial condition of a customer deteriorates which results in an impairment of its ability to make payments, additional allowances might be required. Receivable balances are written off against the reserve when they are determined to be uncollectible. The following table sets out the balance of accounts receivable as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008 RMB	2009 RMB	2010 RMB
Accounts receivable, gross	23,927,595	36,716,462	79,490,779
Allowance for doubtful accounts receivable	(2,035,860)	(1,398,501)	(2,447,323)
Accounts receivable, net	21,891,735	35,317,961	77,043,456

The following table presents movement of the allowance for doubtful accounts receivable:

	As of December 31,		
	2008 RMB	2009 RMB	2010 RMB
Balance at the beginning of the period	462,617	2,035,860	1,398,501
Additions charged to bad debt expenses	1,573,243	247,641	1,048,822
Write-off of bad debt provision	—	(885,000)	—
Balance at the end of the period	2,035,860	1,398,501	2,447,323

## 5. Prepayment and Other Current Assets

The following is a summary of prepayments and other current assets:

	As of December 31,		
	2008 RMB	2009 RMB	2010 RMB
Prepaid rental	136,235	253,724	3,405,307
Prepayment to suppliers and other business related expenses	2,584,945	3,317,024	14,442,415
Prepaid income tax	991,884	1,500,933	—
Others	536,138	702,171	1,540,918
Total	4,249,202	5,773,852	19,388,640

Prepayment to suppliers and other business related expenses mainly consist of the Company's prepaid content licenses fee to third-party content suppliers for the rights to access and present on the Company's website the contents produced by these suppliers during a certain period. These content licenses generally have a licensing period of two to three years, and are amortized over the license period on a straight-line basis. The portion of the prepaid content license cost that relates a license period that is more than 12 months from the balance sheet dates are classifies as non-current asset.

## Phoenix New Media Limited

## Notes to the Consolidated Financial Statements (Continued)

**6. Property and Equipment, Net**

The following is a summary of property and equipment:

	As of December 31,		
	2008 RMB	2009 RMB	2010 RMB
Computers and equipment	12,508,554	16,067,176	27,316,648
Furniture and fixtures	921,741	1,419,315	2,800,502
Motor vehicles	1,655,346	1,655,346	1,655,346
Leasehold improvements	6,453,217	7,858,623	11,359,400
<b>Total</b>	<b>21,538,858</b>	<b>27,000,460</b>	<b>43,131,896</b>
Less: Accumulated depreciation	(5,614,144)	(11,465,700)	(19,021,076)
<b>Net book value</b>	<b>15,924,714</b>	<b>15,534,760</b>	<b>24,110,820</b>

Depreciation expenses for the years ended December 31, 2008, 2009 and 2010 were RMB2.9 million, RMB5.9 million and RMB7.6 million, respectively.

**7. Intangible Assets, Net**

The following table summarizes the Group's intangible assets, net:

	As of December 31,		
	2008 RMB	2009 RMB	2010 RMB
Software	479,145	1,402,195	3,211,661
Domain name	—	54,000	54,000
<b>Total</b>	<b>479,145</b>	<b>1,456,195</b>	<b>3,265,661</b>
Less: Accumulated amortization	(239,017)	(408,957)	(902,958)
<b>Net book value</b>	<b>240,128</b>	<b>1,047,238</b>	<b>2,362,703</b>

Amortization expenses for the years ended December 31, 2008, 2009 and 2010 were RMB0.1 million, RMB0.2 million and RMB0.5 million, respectively. Based on the current amount of intangible assets subject to amortization, the estimated amortization expenses for each of the following five years are as follows: 2011: RMB0.6 million, 2012: RMB0.6 million, 2013: RMB0.5 million, 2014: RMB0.5 million, 2015: RMB0.2 million.

**8. Other Non-Current Assets**

The following is a summary of other non-current assets:

	As of December 31,		
	2008 RMB	2009 RMB	2010 RMB
Rental deposits	1,564,842	1,566,242	1,440,643
Non-current portion of prepayment to suppliers and other business related expenses	103,125	2,898,261	1,042,708
<b>Total</b>	<b>1,667,967</b>	<b>4,464,503</b>	<b>2,483,351</b>



**Phoenix New Media Limited****Notes to the Consolidated Financial Statements (Continued)****9. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities comprise of:

	As of December 31,		
	2008	2009	2010
	RMB	RMB	RMB
Deposit from advertising agencies	130,000	265,000	3,790,000
Accrued professional fees	241,333	1,009,195	751,270
General operating expenses payables	767,635	2,377,331	1,412,877
Accrued rental	2,071,862	509,104	1,057,254
Others	261,891	4,802	136,628
Total	<u>3,472,721</u>	<u>4,165,432</u>	<u>7,148,029</u>

**10. Cost of Revenues**

The cost of revenues is as follows:

	For the Year Ended December 31,		
	2008	2009	2010
	RMB	RMB	RMB
Revenue sharing fees	106,639,801	75,495,739	151,731,877
Content and operational costs	34,865,100	61,815,094	99,837,776
Bandwidth costs	14,243,430	18,903,673	19,551,936
Business tax and surcharges	7,753,414	13,847,520	28,301,113
Total	<u>163,501,745</u>	<u>170,062,026</u>	<u>299,422,702</u>

**11. Income Taxes**

The provisions for income taxes are summarized as follows:

	For the Year Ended December 31,		
	2008	2009	2010
	RMB	RMB	RMB
Current income tax expenses	1,125,392	1,675,064	8,926,317
Deferred tax (benefit)/expenses	(1,274,462)	(15,099)	1,572,295
Income tax (benefit)/expenses	<u>(149,070)</u>	<u>1,659,965</u>	<u>10,498,612</u>

## Phoenix New Media Limited

## Notes to the Consolidated Financial Statements (Continued)

## 11. Income Taxes (Continued)

The components of profit/loss before income taxes for PRC and non-PRC operations are as follows:

	For the Year Ended December 31,		
	2008 RMB	2009 RMB	2010 RMB
Profit arising from PRC operations	2,876,542	13,689,498	102,658,375
Loss arising from non-PRC operations	(31,178,229)	(11,742,666)	(18,076,506)
(Loss)/Profit before taxes	(28,301,687)	1,946,832	84,581,869
Income tax (benefit)/expenses relating to PRC operations	(149,070)	1,659,965	10,498,612
Income tax benefit relating to non-PRC operations	—	—	—
Income tax (benefit)/expenses	(149,070)	1,659,965	10,498,612
Effective tax rate for PRC operations	(5.2)%	12.1%	10.2%

*Cayman Islands ("Cayman")*

Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gain. Additionally, upon payments of dividends to our shareholders, no Cayman Islands withholding tax will be imposed.

*British Virgin Islands ("BVI")*

The Company is exempted from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

*PRC*

Prior to January 1, 2008, companies established in China were generally subject to a state and local corporate income tax, or EIT, at statutory rates of 30% and 3% respectively. Pursuant to the income tax Laws and rules then effective, an enterprise qualified as a "New Technology Enterprise" was entitled to a preferential EIT rate of 15% and was further entitled to a three-year EIT exemption for the first three years from the date of incorporation, and a 50% reduction of its applicable EIT rates for the succeeding three years. In addition, an enterprise qualified as a "High and New Technology Enterprise" ("HNTE") was entitled to a preferential EIT rate of 15%. Fenghuang On-line was qualified as New Technology Enterprise and Tianying Jiuzhou was qualified as HNTE under the then effective income tax Laws and rules.

On March 16, 2007, the National People's Congress of PRC enacted a new Corporate Income Tax Law ("EIT Law"), under which Foreign Investment Enterprises ("FIEs") and domestic companies would be subject to EIT at a uniform rate of 25%. There will be a five-year transition period for FIEs, during which FIEs are allowed to continue to enjoy their existing preferential tax treatments. Preferential tax treatments will continue to be granted to entities which conduct businesses in certain encouraged sectors and to entities otherwise classified as "Software Enterprises" and/or HNTE, irrespective of whether they are FIEs or domestic companies. The EIT Law became effective on January 1, 2008.

Under the EIT Law, enterprises that were established and already enjoyed preferential tax treatments before March 16, 2007 will continue to enjoy them (i) in the case of preferential tax rates, for a period of

**Phoenix New Media Limited**

**Notes to the Consolidated Financial Statements (Continued)**

**11. Income Taxes (Continued)**

five years from January 1, 2008, or (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term.

Under the previous income tax Laws and rules prior to January 1, 2008, Fenghuang On-line has been qualified as "New Technology Enterprise", and could enjoy a favorable tax rate of 15% and were exempted from income tax for three years beginning with their first year of operations, and were entitled to a 50% tax reduction to 7.5% for the subsequent three years and 15% thereafter. In addition, the EIT Law provides grandfather treatment for enterprises which were qualified as "New Technology Enterprises" under the previous income tax Laws and were established before March 16, 2007, if they continue to meet the criteria for New Technology Enterprises after January 1, 2008. The grandfather provision allows these enterprises continue to enjoy their unexpired tax holiday provided by the previous income tax Laws and rules. Fenghuang On-line continued to meet the criteria for New Technology Enterprises from 2008 to 2010 under the EIT Law, and it can continue to enjoy its unexpired tax holidays. Therefore, Fenghuang On-line was entitled to tax exemption from 2006 to 2008 and a 50% reduction of its applicable EIT rate to 7.5% from 2009 to 2010. If Fenghuang On-line will continue to be qualified as New Technology Enterprise in 2011, it will continue to be entitled to a 50% reduction of its applicable EIT rate to 7.5% in 2011.

In April 2010, the State Administration of Tax ("SAT") issued Circular 157, which seeks to provide additional guidance on the interaction of certain preferential tax rates under the transitional rules of the EIT Law. Prior to Circular 157, we interpreted the law to mean that if an entity was in a period where it was entitled to a 50% reduction in the tax rate and was also entitled to a 15% rate of tax due to New Technology Enterprise status under the EIT Law, then it was entitled to pay tax at the rate of 7.5%. Circular 157 appears on its face to have the effect that such an entity is entitled to pay tax at either 15% or 50% of the applicable PRC tax rate. The effect of Circular 157 is retrospective and would apply to 2008 and 2009.

However, to date, the Beijing local-level tax bureau has not implemented Circular 157 and is holding the view that the relevant provisions might not apply to New Technology Enterprises in Science & Technology Park of Haidian District, where Fenghuang On-line is located. Therefore Fenghuang On-line has kept its current practice unchanged. We expect more guidance to be issued in the future. Upon the issuance of such guidance, Fenghuang On-line's effective tax rate might increase. For example, if Circular 157 were implemented with a retroactive effect, we would be liable to pay an additional RMB2.1 million in taxes.

Tianying Jiuzhou has been qualified as HNTE under the EIT Law from 2008 to 2010. Therefore, Tianying Jiuzhou was entitled to the preferential tax rate of 15% from 2008 to 2010 and will continue to enjoy this preferential tax rate, provided that it continues to be qualified as HNTE during such period.

Yifeng Lianhe and Tianying Chuangzhi are subject to a 25% EIT rate for all the periods presented.

The EIT Law also provides that an enterprise established under the Laws of foreign countries or regions but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located." Based on a review of surrounding facts and circumstances, the Company does not believe that it is likely that its operations outside of the PRC should be considered a resident enterprise for PRC tax

## Phoenix New Media Limited

## Notes to the Consolidated Financial Statements (Continued)

## 11. Income Taxes (Continued)

purposes. However, due to limited guidance and implementation history the EIT Law, should PNM be treated as a resident enterprise for PRC tax purposes, the Company will be subject to PRC tax on worldwide income at a uniform tax rate of 25% retroactive to January 1, 2008.

*Withholding tax on undistributed dividends*

EIT Law imposes a withholding tax for any dividends to be distributed by an FIE to its immediate holding company outside of China, if such immediate holding company is considered a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. All FIEs are subject to the withholding tax from January 1, 2008.

Under US GAAP, undistributed earnings are presumed to be transferred to the parent company and are subject to the withholding taxes. The presumption may be overcome if the Company has sufficient evidence to demonstrate that the undistributed dividends will be re-invested and the remittance of the dividends will be postponed indefinitely.

The current policy approved by the Company's Board of Directors allows the Company to distribute PRC earnings offshore only if the Company does not have to pay dividend tax. Such policy may require the Company to reinvest all earnings made since 2008 onshore indefinitely or be subject to a significant withholding tax should its policy change to allow for earnings distribution offshore. As of December 31, 2009, the Company did not record any withholding tax on the retained earnings of its FIEs in the PRC as the Company intends to reinvest its earnings to incorporate new PRC entities in China, and its FIEs do not intend to declare dividends to their immediate foreign holding companies.

*Reconciliation of the differences between statutory tax rate and the effective tax rate*

Reconciliation of the difference between PRC statutory income tax rate and the Group's effective income tax rate for PRC operations for the years ended December 31, 2008, 2009 and 2010 is as follows:

	For the Year Ended December 31,		
	2008	2009	2010
Statutory income tax rate	25.0%	25.0%	25.0%
Permanent differences	4.9%	(8.5)%	(2.2)%
Change in valuation allowance	20.3%	12.8%	(0.5)%
Effect due to tax holiday	(128.6)%	0.0%	0.0%
Effect of preferential tax benefits	33.6%	(20.8)%	(14.1)%
Uncertain tax positions	39.1%	3.3%	1.9%
Others	0.5%	0.3%	0.1%
Effective income tax rate	<u>(5.2)%</u>	<u>12.1%</u>	<u>10.2%</u>

## Phoenix New Media Limited

## Notes to the Consolidated Financial Statements (Continued)

## 11. Income Taxes (Continued)

The combined effects of the income tax expense exemption and reduction available to us are as follows:

	For the Year Ended December 31,		
	2008	2009	2010
	RMB	RMB	RMB
Tax holiday effect	3,700,530	—	—
Preferential tax rate effect	(966,871)	2,853,679	14,429,939
Basic EPS	0.01	0.01	0.04

*Deferred tax assets and liabilities*

The tax effects of temporary differences that give rise to the deferred tax assets balances at December 31, 2008, 2009 and 2010 are as follows:

	As of December 31,		
	2008	2009	2010
	RMB	RMB	RMB
<b>Current</b>			
Deferred tax assets:			
Allowance for doubtful accounts receivables	233,004	269,658	612,700
Net operating loss carry forwards	21,556	1,915,337	—
Total current deferred tax assets, net	<u>254,560</u>	<u>2,184,995</u>	<u>612,700</u>
<b>Non-current</b>			
Deferred tax assets:			
Net operating loss carry forwards	2,497,873	2,330,300	1,856,246
Less: valuation allowance	(582,536)	(2,330,300)	(1,856,246)
Total non-current deferred tax assets, net	<u>1,915,337</u>	<u>—</u>	<u>—</u>
Total deferred tax assets, net	<u>2,169,897</u>	<u>2,184,995</u>	<u>612,700</u>

As of December 31, 2010, the Company had net operating loss carry forwards of approximately RMB7.4 million, which can be carried forward to offset future taxable income. RMB3.9 million and RMB3.5 million of the net operating tax loss carry forwards will begin to expire through 2014 and 2015, respectively, if not utilized.

## Phoenix New Media Limited

## Notes to the Consolidated Financial Statements (Continued)

## 11. Income Taxes (Continued)

*Movement of valuation allowance*

	As of December 31,		
	2008	2009	2010
	RMB	RMB	RMB
Balance at beginning of the period	—	582,536	2,330,300
Current period addition	582,536	1,747,764	862,985
Current period reversal	—	—	(1,337,039)
Balance at the end of the period	582,536	2,330,300	1,856,246

Valuation allowance is provided against deferred tax assets when the Company determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Company considered factors including future taxable income exclusive of reversing temporary differences and carry forwards. Valuation allowance was provided for tax losses carry-forward because it was more likely than not that such deferred tax assets will not be realized based on the Group's estimate of its future taxable income during the years ended December 31, 2008, 2009 and 2010, respectively.

*Uncertain tax positions*

As of January 1, 2007 when the guidance on accounting for uncertainty in income taxes was adopted, the Group did not have any unrecognized tax benefits and thus, no interest and penalties related to unrecognized tax benefits were recorded.

A reconciliation of the beginning and ending amount of liabilities associated with uncertain tax positions is as follows:

	For the Year Ended December 31,		
	2008	2009	2010
	RMB	RMB	RMB
Unrecognized tax benefits, beginning of the period	—	1,125,392	1,572,785
Increase related to current tax positions	1,125,392	447,393	1,909,763
Unrecognized tax benefits, end of the period	1,125,392	1,572,785	3,482,548

The Group did not accrue any potential penalties and interest related to these unrecognized tax benefits for all periods presented on the basis that the likelihood of penalties and interest being charged is not considered to be high.

The amounts of unrecognized tax benefits listed above are based on the recognition and measurement criteria of ASC 740. However, due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of uncertain tax positions may result in liabilities which could be materially different from these estimates. In such an event, the Group will record additional tax expense or tax benefit in the period in which such resolution occurs. The Group does not expect changes in unrecognized tax benefits recognized as of December 31, 2010 to be material in the next twelve months.

## Phoenix New Media Limited

## Notes to the Consolidated Financial Statements (Continued)

**11. Income Taxes (Continued)**

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to claw back underpaid tax plus penalties and interest for PRC entities' tax filings. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities' tax years from 2006 to 2010 remain subject to examination by the tax authorities. There are no ongoing examinations by tax authorities as of December 31, 2010.

**12. Series A Convertible Redeemable Preferred Share**

In November 2009, the Company issued 130,000,000 Series A convertible redeemable preferred shares ("Series A Preferred Shares") for an aggregate purchase price of US\$25,000,000 (RMB170,682,500) or US\$0.1923 per Series A Preferred Share, including issuance cost of US\$151,974 (RMB1,037,573).

The Company has determined that the Series A Preferred Shares should not be classified as liabilities since the Series A Preferred Shares are contingently redeemable and that conversion and redemption features embedded in Series A Preferred Shares are not required to be bifurcated and accounted for as a derivative since the embedded features do not permit or require net settlement and therefore do not meet the definition of a derivative. The Company assessed the beneficial conversion feature attributable to the Series A Preferred Shares in accordance with ASC 470-20 and determined that there was a beneficial conversion feature with an amount of US\$2,510,166 (RMB17,137,659) which was bifurcated from the carrying value of Series A Preferred Shares as a contribution to additional paid-in capital upon issuance of Series A Preferred Shares. The discount resulting from the recognition of the beneficial conversion feature is amortized immediately as a deemed dividend to preferred shareholders and charged against additional paid-in capital in the absence of retained earnings.

As of December 31, 2010, the Series A Preferred Shares are comprised of the following:

Series	Issuance Date	Shares Issued and Outstanding	Issue Price Per Share	Proceeds from Issuance, Net of Issuance Costs	Carrying Amount
			US\$	US\$	RMB
A	November 2009	130,000,000	0.1923	24,848,025	390,182,505

All Series A Preferred Shares have a par value of US\$0.01 per share. The rights, preferences and privileges of the Series A Preferred Shares are as follows:

**Conversion**

Each Series A Preferred Share is convertible, at the option of the holder, at any time after the date of issuance of such preferred shares into such number of ordinary shares according to a conversion ratio determined by dividing the original issuance price by the applicable conversion price, and is subject to adjustments for dilution as follows:

- Additional ordinary shares issued with no consideration or for a consideration at a price lower than the effective conversion price;
- Dividends on and distribution of ordinary shares;
- Reorganization or reclassification of ordinary shares;

**Phoenix New Media Limited**

**Notes to the Consolidated Financial Statements (Continued)**

**12. Series A Convertible Redeemable Preferred Share (Continued)**

- Receipt of any distribution payable in securities of the Company other than ordinary shares;
- Subdivision or combination of the ordinary shares;
- Subdivision of Preferred Shares.

The initial conversion price of Series A Preferred Shares is the same as its original issuance price. The conversion provisions include certain performance-based adjustments related to certain targets of net profits after tax for the year ending December 31, 2010. In the event that the target profit is not met, the conversion price of the Series A Preferred Shares shall be adjusted in accordance with a pre-determined formula such that the Series A Preferred Shareholders' percentage ownership on an as-converted basis would decrease, while in no event the conversion price shall be adjusted by more than 25% from the initial conversion price.

Each Series A Preferred Share is automatically convertible into the number of ordinary share upon the closing of a Qualified IPO (as defined), based on the then-effective conversion price. The Qualified IPO shall mean a firm-commitment underwritten registered public offering by the Company of its ordinary shares on the NASDAQ Global Select Market or the New York Stock Exchange in the United States or any other exchange in any other jurisdiction (on any combination of such exchanges and jurisdictions) acceptable to the holders of a majority of the then outstanding Series A Preferred Shares and to the Company with gross proceeds to the Company of at least US\$80 million implying a valuation of the Company, as a result of such public offering, of no less than US\$400 million.

***Redemption***

The holders of Series A Preferred Shares may redeem all, but not less than all, of Series A Preferred Shares at a redemption price equal to the greater of (i) the Series A issuance price plus such amount necessary to provide an internal rate of return of 20% per annum from the Series A Preferred Shares issuance date through the redemption closing date plus all declared and unpaid dividends payable at any time following December 31, 2013, and (ii) the fair market value of the Series A Preferred Shares.

Due to its redemption features described above, the Company classified the Series A Preferred Shares in the mezzanine equity section of the consolidated balance sheets in accordance with ASC 480-10-S99. The Series A Preferred Shares was accreted from its carrying value to their expected redemption amount using the effective interest method. The accretion was recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges should be recorded by increasing accumulated deficit.



## Notes to the Consolidated Financial Statements (Continued)

## 12. Series A Convertible Redeemable Preferred Share (Continued)

The following table sets forth the changes of redeemable convertible preferred shares for the three years period ended December 31, 2010:

	As of December 31,		
	2008 RMB	2009 RMB	2010 RMB
Convertible redeemable preferred shares— beginning balance	—	—	183,773,845
Add: Issuance of preferred shares, net of issuance cost	—	169,644,927	—
Allocation to beneficial conversion feature	—	(17,137,659)	—
Amortization of beneficial conversion feature discount	—	17,137,659	—
Accretion of redemption feature	—	14,128,918	206,408,660
Convertible redeemable preferred shares—ending balance	—	183,773,845	390,182,505

The Company engaged an independent valuation specialist to assist them in determining the fair values of the Series A Preferred shares which were estimated as of the date of issuance and at each financial statements reporting dates using the discounted cash flow method with the following assumptions:

	December 31, 2009	December 31, 2010
Risk-free interest rate	2.91%	3.15%
Volatility	56.41%	55.26%
Dividend yield	—	—
Discount rate	22.97%	20.43%

The Company estimated the risk-free interest rate based on yield-to-maturities in continuous compounding of the PRC Government Bonds with the time-to-maturities similar to those of the Series A redeemable convertible preferred shares. The Company estimated volatility at the date of appraisal based on averages/medians of industry annualized historical stock price volatility. The Company has no history or expectation of paying dividends on its Series A Preferred Shares. Discount rate is estimated by weighted average costs of capital as at the appraisal date. In addition to the above assumptions adopted, the Company's projections of future performance were also factored into the determination of the fair values of the Series A Preferred Shares.

**Liquidation**

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the holders of Series A Preferred Shares shall be entitled to receive an amount per share equal to 130% of the issuance price plus all dividends declared and unpaid ("Preference Amount"). If the assets of the Company are insufficient to permit the payment of the full Preference Amount, the assets of the Company available for distribution shall be distributed ratably among the holders of Series A Preferred

Notes to the Consolidated Financial Statements (Continued)

**12. Series A Convertible Redeemable Preferred Share (Continued)**

Shares. After the distribution to the holders of Series A Preferred Shares are made, any remaining legally available assets shall be distributed to the holders of ordinary shares and Series A Preferred Shares prorated on an as-converted basis until the holders of Series A Preferred Shares has received an aggregate distribution or payment, inclusive of the Preference Amount, equal to four times the Preference Amount for each Series A Preferred Shares.

**Dividends**

The holders of the Series A Preferred Shares are entitled to receive in preference to any payment to the ordinary shares, non-cumulative dividend of 8% per annum as and when declared by the Board of Directors. As long as Series A Preferred Shares are outstanding, the Company may not pay any dividend to ordinary shareholders until all dividends declared and payable to the preferred shareholders have been paid. In the event the Company shall declare a dividend to the holders of ordinary shares, then in each such case, the holders of Series A Preferred Shares shall be entitled to a proportionate share of such dividend on an as-converted basis.

**Voting rights**

The holder of each Series A Preferred Share shall be entitled to the number of votes equal to the number of ordinary share into which such Series A Preferred Share could be converted at the record date for determination of the members entitled to vote on such matter, or, if no such record date is established, at the date such vote is taken or any written consent of members is solicited. The holders of Series A Preferred Shares shall vote together with ordinary shareholders, and not as a separate class or series, on all matters put before the members.

**13. Ordinary Shares**

The Company was incorporated in the Cayman Islands on November 22, 2007 by the Parent. Upon its incorporation, 1 ordinary share was issued at a par value of US\$0.01 per share. In May 2008, the Company issued 319,999,999 ordinary shares to the Parent and became the holding company of the Group pursuant to the reorganization events as described in Note 1. The Company has accounted for the reorganization event as a legal reorganization of entities under common control in a manner similar to a pooling-of-interests. All share and per share data have been revised to reflect the retroactive effect of the share issuance in May 2008.

The authorized share capital of the Company is US\$10,000,000 divided into 870,000,000 ordinary shares and 130,000,000 Series A Preferred Shares at a par value of US\$0.01 per share.

The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all other classes of shares outstanding. As of December 31, 2010, there were 363,497,237 ordinary shares outstanding, the increase of 43,497,237 was due to exercise of share-based options by 36 employees.

**14. Share-based Compensation**

In June 2008, the Company adopted the Share Option Scheme (the "June 2008 Scheme") that provides for the granting of options to key employees to acquire ordinary shares of the Company. The June 2008 Scheme permits the grant of share options to its eligible recipients for up to 10% of the ordinary

## Notes to the Consolidated Financial Statements (Continued)

## 14. Share-based Compensation (Continued)

shares in issue on the effective date of the June 2008 Scheme (the "Limit"). The Company may seek approval from its shareholders to refresh the Limit provided that the Limit as refreshed shall not exceed 10% of the ordinary shares of the Company in issue as at the date of approval, and options previously granted will not be counted for the purpose of calculating the Limit as refreshed. Any outstanding option lapse in accordance with the terms of the June 2008 Scheme will not be counted for the purpose of calculating the Limit. The maximum number of shares which may be outstanding pursuant to all awards and which were issued after the exercise of the awards under the June 2008 Scheme is 96,000,000.

The June 2008 Scheme will terminate automatically 10 years after its adoption, unless terminated earlier at the Company's shareholders' approval. Option awards are granted with an exercise price determined by the Board of Directors at the time of grant. Those option awards generally vest based on 4 years of continuous services and expire in 10 years.

A summary of the Company's share option activities for the year ended December 31, 2010 is presented below (in US\$, except shares):

	Number of Options	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Life Years	Aggregate Intrinsic Value US\$
<b>Outstanding as of December 31, 2009</b>	<b>72,332,425</b>	<b>0.03215</b>	<b>8.4</b>	<b>0.13</b>
Granted	15,768,225	0.03215		
Forfeited	(4,727,045)	0.03215		
Exercised	(41,151,800)	0.03215		
<b>Outstanding as of December 31, 2010</b>	<b>42,221,805</b>	<b>0.03215</b>	<b>7.5</b>	<b>0.46</b>
Vested and exercisable as of December 31, 2010	17,972,942	0.03215	7.5	
Expected to vest as of December 31, 2010	13,638,242	0.03215	2.5	

The Company issued 6,450,000 shares of share options to non-employees in July 2010 with the exercise price of US\$0.03215. These options have a vesting term of four years starting from the date of issuance, provided that the holders become employees of the Group before December 31, 2010. The Company has no obligation to compensate these non-employees for their services provided if the non-employees do not become employed by the Group by December 31, 2010. As such, no expenses were recognized until the employment contract was actually signed. All these non-employees have become employees of the Group as of December 31, 2010. The relevant compensation expenses were measured based on fair market value of the options as of the date when the holders became employees of the Company, with the amount of US\$2,525,343 (RMB 16,667,263). Compensation expenses amounting to US\$758,270 (RMB 5,004,581) were recognized on the same date for services provided during their nonemployee period, and the remaining compensation expenses will continue to amortize during the remaining vesting period. As of December 31, 2010, none of these non-employees options was vested. The aggregate intrinsic value of these options outstanding was US\$2,976,406 (RMB19,644,277) or US\$0.46 (RMB3.05) per share as of December 31, 2010.

During 2008, 2009 and 2010, 50 employees voluntarily left the Company and exercised their share options in exchange for future entitlement of the Company's shares upon completion of the relevant Company process after the Company's IPO. The proceeds from the exercise of these options cannot be

## Notes to the Consolidated Financial Statements (Continued)

## 14. Share-based Compensation (Continued)

refunded to the former employees in the event the Company does not complete an IPO and accordingly are considered to be exercised and the proceeds have been included in the additional paid-in capital of the Company. The proceeds from exercise of these options received as of December 31, 2008, 2009 and 2010 amounted to nil, RMB443,620 and RMB1,195,607, respectively, and total number of shares to be issued after the Company's IPO date was 5,291,680 as of December 31, 2010. This number of shares is not currently included in the ordinary share count. As the share options are exchanged for the right to receive shares in the future after an IPO and do not participate in any voting and dividend rights, it is considered as contingently issuable shares of the Company. Since contingently issuable shares are considered outstanding common shares and included in the computation of basic EPS as of the date only if all necessary conditions have been satisfied (in essence, when issuance of the shares is no longer contingent), therefore, in this case, the ordinary shares contingently issuable after an IPO is not considered outstanding and should not be included in the denominator when calculating basic EPS. The diluted EPS should account for these shares that would change into ordinary shares using if-converted method. Conversion of these shares will not impact the numerator as there is no income, expense, or deemed dividend to these shares. The denominator will be increased based on the weighted average number of shares outstanding during the period.

As disclosed in Note 2(q), the Company's share-based compensation expenses are measured at the value of the award as calculated under the Black-Scholes option pricing model. The weighted-average grant date fair value of options granted for the years ended December 31, 2008, 2009 and 2010 was US\$0.0816, US\$0.0914, and US\$0.1157 per option, respectively. Share-based compensation expenses based on service conditions are recognized using the graded-vesting method. For the years ended December 31, 2008, 2009 and 2010, the Company has recognized share-based compensation expenses of approximately RMB29,930,391, RMB10,240,337 and RMB16,561,229, respectively. The aggregate intrinsic value is calculated as the difference between the market value of ordinary shares in an amount of US\$0.08, US\$0.13 and US\$0.46 per share as of December 31, 2008, 2009 and 2010 and the exercise prices of the options. The total intrinsic value of options exercised is not provided as the Company was a private company during the periods presented.

There was no income tax benefit recognized in the statements of operations for share-based compensation expenses in the years ended December 31, 2008, 2009 and 2010. The Company did not capitalize any of the share-based compensation expenses as part of the cost of any asset during the periods presented.

The Company engaged an independent valuation specialist to assist them in determining the fair values of the options which were estimated as of the date of grant using Black-Scholes option pricing model with the following assumptions:

	For the Year Ended December 31,		
	2008	2009	2010
Expected volatility (%)	55.91%-59.07%	57.60%-58.07%	54.37%-54.91%
Expected dividend yield (%)	—	—	—
Expected term (years)	4.58-5.88	5.31-5.46	4.64-5.30
Risk-free interest rate (per annum) (%)	2.86%-4.14%	2.94%-2.95%	2.65%-3.57%

## Notes to the Consolidated Financial Statements (Continued)

**14. Share-based Compensation (Continued)**

The Company estimated the expected volatility at the date of grant based on average annualized standard deviation of the share price of comparable listed companies. The Company has no history or expectation of paying dividends on its ordinary shares. The Company estimated the expected term based on the timing of the expected public offering, the vesting schedule and the exercise period of the options. Risk-free interest rates are based on the derived market yield of the US\$ denominated Chinese government bonds for the term approximating the expected life of award at the time of grant.

As of December 31, 2010, there was RMB16,979,998 of unrecognized share-based compensation expenses adjusted for estimated forfeitures, related to unvested share-based compensation arrangements granted under the Option Plan. The cost is expected to be recognized over a weighted-average period of 2.5 years.

**15. Fair Value Measurements**

Effective January 1, 2008, the Group adopted ASC 820-10, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Although adoption did not impact the Group's consolidated financial statements, ASC 820-10 requires additional disclosures to be provided on fair value measurements.

ASC 820-10 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2—Include other inputs that are directly or indirectly observable in the marketplace

Level 3—Unobservable inputs which are supported by little or no market activity

ASC 820-10 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. Following is a description of the valuation techniques that the Group uses to measure the fair value of assets and liabilities that the Group measured and reported on its consolidated balance sheet at fair value on a recurring basis.

Cash equivalents: The Group's cash equivalents consisted of demand deposits and time deposits placed with banks. The fair values of demand deposits and time deposits placed with banks are determined based on the pervasive interest rate in the market, which are also the interest rates as stated in the contracts with the banks. The Group classifies the valuation techniques that use the pervasive interest rates input as Level 1.

## Notes to the Consolidated Financial Statements (Continued)

## 15. Fair Value Measurements (Continued)

Note receivable: The Group's note receivable represents the promissory note issued by PHOENIXi in November 2000, with the face value of US\$5,000,000. The fair value of the note receivable is determined based on the amount of cash and cash equivalents available to PHOENIXi, which will all be used to repay the note, discounted to the present value using the pervasive interest rate in the market. The Group classifies the valuation techniques that use these inputs as Level 2.

	Total fair value and carrying value on balance sheet RMB	Fair value measurements at reporting date using		
		Quote prices in active market for identical assets (Level 1) RMB	Significant other observable inputs (Level 2) RMB	Significant unobservable inputs (Level 3) RMB
<b>As of December 31, 2010</b>				
Cash and cash equivalents	287,173,450	287,173,450	—	—
Note receivable	17,600,222	—	17,600,222	—
<b>As of December 31, 2009</b>				
Cash and cash equivalents	223,085,854	223,085,854	—	—
Note receivable	18,196,459	—	18,196,459	—
<b>As of December 31, 2008</b>				
Cash and cash equivalents	67,999,125	67,999,125	—	—
Note receivable	18,182,419	—	18,182,419	—

## 16. Loss per Share

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated:

	For the Year Ended December 31,		
	2008 RMB	2009 RMB	2010 RMB
<b>Numerator:</b>			
Net (loss)/income attributable to Phoenix New Media Limited	(28,152,617)	286,867	74,083,257
Series A redeemable convertible preferred shares accretion	—	(14,128,918)	(206,408,660)
Allocation to series A redeemable convertible preferred shares shareholders	—	(286,867)	(33,092,592)
Amortization of beneficial conversion feature	—	(17,137,659)	—
<b>Numerator for basic and diluted loss per share</b>	<b>(28,152,617)</b>	<b>(31,266,577)</b>	<b>(165,417,995)</b>
<b>Denominator:</b>			
<b>Weighted average number of ordinary shares outstanding—basic and diluted</b>	<b>320,013,175</b>	<b>321,387,913</b>	<b>327,045,493</b>
<b>Basic loss per share attributable to the Company's ordinary shareholders</b>	<b>(0.09)</b>	<b>(0.10)</b>	<b>(0.51)</b>
<b>Diluted loss per share attributable to the Company's ordinary shareholders</b>	<b>(0.09)</b>	<b>(0.10)</b>	<b>(0.51)</b>

Notes to the Consolidated Financial Statements (Continued)

**16. Loss per Share (Continued)**

Basic net loss per share is computed using the weighted average number of the ordinary shares outstanding during the period. Diluted net loss per share is computed using the weighted average number of ordinary shares and ordinary share equivalents outstanding during the period. For the years ended December 31, 2008, 2009 and 2010, options to purchase ordinary shares and contingently issuable shares that were anti-dilutive and excluded from the calculation of diluted net loss per share was 33,092,225 shares, 68,322,381 shares and 72,485,765 shares, respectively. For December 31, 2008, 2009 and 2010, the Series A convertible redeemable preferred shares were also anti-dilutive and excluded from the calculation of diluted net loss per share.

**17. Investment in PHOENIXi**

PHOENIXi was a subsidiary of the Company and have been undergoing liquidation process since October 2006. The Company deconsolidated PHOENIXi upon the commencement of the liquidation and accounted for PHOENIXi using the cost method as it no longer exercised control or significant influence. The Company determined there was an other than temporary impairment to its investment in PHOENIXi as it is insolvent, and wrote off the cost method investment in October 2006.

The Company holds a promissory note issued by PHOENIXi in November 2000, with face value of US\$5,000,000(RMB33,113,500). The note represents the only debt that PHOENIXi held when it was put into liquidation and the Company is PHOENIXi's sole creditor. The Company determined the note to be impaired in 2006, and revalued the note on an annual basis to the present value of cash flow expected to receive from PHOENIXi, which will include all the cash and cash equivalents owned by PHOENIXi, with the changes to the carrying value included in the consolidated statement of operations.

PHOENIXi also had a net amount of RMB5,891,081, RMB5,947,647 and RMB5,925,641 due to PNM as of December 31, 2008 and 2009 and 2010, respectively, arising from historical operating expenses paid by PNM on behalf of PHOENIXi, which has been fully impaired by PNM in 2006.

## Notes to the Consolidated Financial Statements (Continued)

## 17. Investment in PHOENIXi (Continued)

The condensed financial statements of PHOENIXi is as follows, which are not included in the Company's consolidated financial statements:

**Financial Information of PHOENIXi**  
**Condensed Balance Sheets as of December 31, 2008, 2009 and 2010**

	As of December 31,			
	2008 RMB	2009 RMB	2010 RMB	2010 US\$
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	18,325,925	18,351,815	17,651,314	2,674,442
Amounts due from PNM	3,497,666	546,322	527,987	79,998
Deposit with liquidators	—	—	132,597	20,090
<b>Total current assets</b>	<u>21,823,591</u>	<u>18,898,137</u>	<u>18,311,898</u>	<u>2,774,530</u>
<b>Non-current assets:</b>				
Deposit with liquidators	137,421	137,202	—	—
<b>Total assets</b>	<u>21,961,012</u>	<u>19,035,339</u>	<u>18,311,898</u>	<u>2,774,530</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Amounts due to PNM	9,388,747	6,493,969	6,453,628	977,822
Accrued expenses and other current liabilities	409,150	417,174	145,112	21,988
<b>Total current liabilities</b>	<u>9,797,897</u>	<u>6,911,143</u>	<u>6,598,740</u>	<u>999,810</u>
Promissory note with PNM	34,351,653	34,296,730	33,113,500	5,017,197
<b>Total liabilities</b>	<u>44,149,550</u>	<u>41,207,873</u>	<u>39,712,240</u>	<u>6,017,007</u>
<b>Mezzanine equity</b>				
Series A convertible redeemable preferred shares (US\$0.01 par value, 0.75 million shares authorized and issued as of December 31, 2008, 2009 and 2010; No aggregate liquidation value as of December 31, 2008, 2009 and 2010)	—	—	—	—
<b>Shareholders' deficit:</b>				
Ordinary shares				
(US\$0.01 par value, 24,250,000 shares authorized, 12,397,500 shares issued and outstanding as of December 31, 2008, 2009 and 2010)	1,026,348	1,026,348	1,026,348	155,507
Additional paid-in capital	78,091	78,091	78,091	11,832
Accumulated deficit	(25,858,598)	(25,874,276)	(25,827,564)	(3,913,268)
Accumulated other comprehensive income	2,565,621	2,597,303	3,322,783	503,452
<b>Total shareholders' deficit</b>	<u>(22,188,538)</u>	<u>(22,172,534)</u>	<u>(21,400,342)</u>	<u>(3,242,477)</u>
<b>Total liabilities and shareholders' deficit</b>	<u>21,961,012</u>	<u>19,035,339</u>	<u>18,311,898</u>	<u>2,774,530</u>



## Notes to the Consolidated Financial Statements (Continued)

## 17. Investment in PHOENIXi (Continued)

**Financial Information of PHOENIXi**  
**Condensed Statements of Operations for the Years Ended December 31, 2008, 2009 and 2010**

	For the Years Ended December 31,			
	2008	2009	2010	2010
	RMB	RMB	RMB	US\$
<b>Revenues</b>	—	—	—	—
<b>Cost of revenues</b>	—	—	—	—
<b>Gross profit</b>	—	—	—	—
<b>Operating expenses</b>				
Sales and marketing expenses	—	—	—	—
General and administrative expenses	(399,096)	(16,784)	(202,265)	(30,646)
Technology and product development expenses	—	—	—	—
<b>Total operating expenses</b>	(399,096)	(16,784)	(202,265)	(30,646)
<b>Operating loss</b>	(399,096)	(16,784)	(202,265)	(30,646)
<b>Other income and expenses</b>				
Interest income	27,230	16,502	218,175	33,057
Foreign currency exchange (loss)/gain	(44,662)	(15,396)	40,802	6,182
Others, net	—	—	(10,000)	(1,515)
<b>(Loss)/Income before tax</b>	(416,528)	(15,678)	46,712	7,078
Income tax expenses	—	—	—	—
<b>(Loss)/Income after tax</b>	(416,528)	(15,678)	46,712	7,078

**Financial Information of PHOENIXi**  
**Condensed Statements of Cash Flows for the Years Ended December 31, 2008, 2009 and 2010**

	For the Years Ended December 31,			
	2008	2009	2010	2010
	RMB	RMB	RMB	US\$
Cash flows (used in)/generated from operating activities:	(195,447)	64,308	(230,988)	(34,998)
Cash flows generated from investing activities:	—	—	—	—
Cash flows generated from financing activities:	—	—	—	—
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(859,621)	(38,418)	(469,513)	(71,138)
<b>Cash and cash equivalents at the beginning of the period</b>	19,380,993	18,325,925	18,351,815	2,780,578
<b>Cash and cash equivalents at the end of the period</b>	18,325,925	18,351,815	17,651,314	2,674,442

PHOENIXi has 750,000 shares of Series A convertible redeemable preferred shares outstanding and are redeemable at the fair value at both the issuer and the holder's option. These preferred shares are accounted for as a mezzanine classified equity, and carried at redemption price, which is its fair value. Due to the insolvent status of PHOENIXi, the carrying value of the preferred shares of PHOENIXi has been zero since the commencement of the liquidation process in 2006.

## Notes to the Consolidated Financial Statements (Continued)

## 18. Commitments and Contingencies

## (a) Commitments

As of December 31, 2010, future minimum commitments under non-cancelable agreements were as follows:

	Rental RMB	Property and equipment, and intangible assets RMB	Server allocation RMB	Cooperation with Phoenix TV Group* RMB	Others RMB	Total RMB
2011	8,676,257	2,412,484	3,769,265	2,000,000	—	16,858,006
2012	5,434,524	—	—	2,500,000	3,569,998	11,504,522
2013	3,903,562	—	—	3,125,000	7,950	7,036,512
2014	—	—	—	3,906,250	—	3,906,250
<b>Total</b>	<b>18,014,343</b>	<b>2,412,484</b>	<b>3,769,265</b>	<b>11,531,250</b>	<b>3,577,948</b>	<b>39,305,290</b>

\* The Group and the Phoenix TV Group have been involved in various cooperation arrangements, including content sharing, co-promotion and technical services, etc. (Refer to Note 2(a)). There was no payment for these arrangements until November 2009 when a five-year agreement was signed between Phoenix TV and Fenghuang On-line to stipulate the cooperation for year 2010 and going forward. Based on the agreement, the Group will pay Phoenix TV 50% of revenue generated from certain contents provided by Phoenix TV Group, plus a fixed amount of payment to cover other services provided by Phoenix TV Group. The fixed amount shall be RMB1.6 million for first year of the agreement, and will increase 25% annually. This fixed amount has been included in above table as a commitment to Phoenix TV Group.

The rental expenses were approximately RMB3.4 million, RMB5.9 million and RMB7.9 million, during the years ended December 31, 2008, 2009, and 2010, respectively, and were charged to the statement of operations when incurred.

The Group did not have any significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2008, 2009, and 2010.

## (b) Litigation

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. The Group is not currently a party to any legal proceedings, investigations or claim which in the opinion of our management is likely to have a material adverse effect, individually or in the aggregate, on the Group's financial position, result of operations or cash flows. However, litigation is subject to inherent uncertainties and the Company's view of these matters may change in the future. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the Company's financial position, results of operations or cash flows for the period in which the unfavorable outcome occurs, and potentially in future periods.

## Notes to the Consolidated Financial Statements (Continued)

## 19. Related Party Transactions

The table below sets forth the major related parties and their relationships with the Group:

Related parties	Relationship with the Group
Entities within the non US listing part of the Phoenix TV Group	Under common control by Phoenix TV
CMCC	A shareholder of Phoenix TV
Mr. Gao Ximin and Mr. Qiao Haiyan	Legal shareholders of Tianying Jiuzhou, employees of the Group
Mr. He Yansheng	Legal shareholder of Yifeng Lianhe, employee of the Group

During the years ended December 31, 2008, 2009 and 2010, significant related party transactions were as follows.

## Transactions with the non US listing part of Phoenix TV Group:

	For the Year Ended December 31,		
	2008 RMB	2009 RMB	2010 RMB
Content provided by Phoenix TV Group	(1,165,232)	(1,540,070)	(3,670,682)
Advertising and promotion services allocated from Phoenix TV Group	(3,722,236)	(3,920,369)	(7,181,070)
Technical services provided by Phoenix TV Group	(399,416)	(866,253)	(997,510)
Corporate administrative expenses allocated from Phoenix TV Group	(759,742)	(1,155,499)	(616,820)
Revenues earned from Phoenix TV Group and its customers	3,134,483	3,845,356	17,273,959

The Company also incurred certain incremental expenses on behalf of Phoenix TV Group to provide technical and marketing supports, which are accounted for as distributions to shareholder, with the amount of RMB0.2 million, RMB0.3 million and RMB0.3 million for the years ended December 31, 2008, 2009 and 2010, respectively.

## Transactions with CMCC:

	For the Year Ended December 31,		
	2008 RMB	2009 RMB	2010 RMB
Paid service revenues earned from and through CMCC	164,641,721	157,276,329	281,577,450
Paid service revenues sharing and bandwidth cost to CMCC	(25,734,873)	(22,786,497)	(34,776,993)

## Notes to the Consolidated Financial Statements (Continued)

## 19. Related Party Transactions (Continued)

As of December 31, 2008, 2009 and 2010, the amounts due from and due to related parties were as follows:

	As of December 31,		
	2008	2009	2010
	RMB	RMB	RMB
<b>Amounts due from related parties:</b>			
Accounts receivable from CMCC	11,882,428	8,696,193	16,486,813
<b>Amounts due to related parties:</b>			
Short-term loan from Phoenix TV	34,351,653	34,296,730	33,113,500
Payable to legal shareholders of VIEs for their initial investment	10,000,000	10,000,000	—
Due to Phoenix TV Group	29,103,758	27,155,115	10,363,482
Advance from CMCC	18,825,815	—	—
Total	92,281,226	71,451,845	43,476,982

The amounts due to Phoenix TV Group mainly include operating funds advance provided by Phoenix TV, expenses paid by other entities of the Phoenix TV Group on behalf of the Group and expenses charged by Phoenix TV Group under the 2010 cooperation agreement, offset by accounts receivable from Phoenix TV Group for the advertising services provided to its customers, as well as technical and marketing services provided to Phoenix TV Group. Refer to Note 18(a).

The short-term loan represents a US\$5 million interest free loan provided by Phoenix TV in 2000 to support working capital of PHOENIXi Investment Limited and its subsidiaries. The loan is repayable upon written notice from Phoenix TV.

The payable to legal shareholders of VIEs represents Tianying Jiuzhou's registered capital, which was funded by the legal shareholders historically. The Company repaid RMB7.9 million of their initial investments and the remaining RMB2.1 million was paid by the Phoenix TV Group on the Company's behalf in 2010 after entering into the Contractual Agreements. Refer to Note 1.

## 20. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Group's subsidiaries, the VIEs and the subsidiary of the one of the VIEs incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries, the VIEs and the subsidiary of one of the VIEs incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's subsidiaries, the VIEs and the subsidiary of the one of the VIEs incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion amounted to approximately RMB29.6 million, RMB41.2 million and RMB47.1 million as of December 31, 2008, 2009 and 2010, respectively. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare

Notes to the Consolidated Financial Statements (Continued)

**20. Restricted net assets (Continued)**

and pay dividends or distributions to our shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries, the VIEs and the subsidiary of the VIEs to satisfy any obligations of the Company.

The Company performed a test on the restricted net assets of consolidated subsidiaries, VIEs and the subsidiary of the VIEs (the "restricted net assets") in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that the restricted net assets did not exceed 25% of the consolidated net assets of the Company as of December 31, 2010.

**21. Unaudited Pro Forma Balance Sheet and Earnings per Share for Conversion of Preferred Shares**

Upon completion of an initial public offering by the Company, the Company's outstanding share capital will consist of Class A and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to 1.3 votes and is convertible at any time into one Class A ordinary share. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

The Series A Preferred Shares shall automatically be converted into Class A ordinary shares based on the then effective conversion ratio immediately prior to the closing of a firm commitment underwritten Qualified IPO.

The unaudited pro forma balance sheet as of December 31, 2010 assumes a Qualified IPO has occurred and presents as an adjusted financial position as if the issuance of Class A and Class B ordinary shares and the conversion of the Series A Preferred Shares into Class A ordinary shares occurred on December 31, 2010. Accordingly, the carrying value of the preferred shares, in the amount of RMB390,182,505 was reclassified from Preferred Shares to ordinary shares and additional paid in capital.

The unaudited pro-forma net income per share for the year ended December 31, 2010 after giving effect to the issuance of Class A and Class B ordinary shares and the conversion of the Series A Preferred

## Notes to the Consolidated Financial Statements (Continued)

## 21. Unaudited Pro Forma Balance Sheet and Earnings per Share for Conversion of Preferred Shares (Continued)

Shares into Class A ordinary shares as if the closing occurred at the beginning of fiscal year 2010 was as follows:

	<u>For the Year Ended December 31, 2010</u> RMB
<b><u>Numerator:</u></b>	
Net loss attributable to ordinary shareholders	(165,417,995)
Pro-forma effect of conversion of Series A convertible redeemable preferred shares	239,501,252
<b>Numerator for pro-forma basic and diluted net income per share</b>	<b>74,083,257</b>
<b><u>Denominator:</u></b>	
Weighted average number of ordinary shares outstanding	327,045,493
Pro-forma effect of conversion of Series A convertible redeemable preferred shares	130,000,000
<b>Denominator for pro-forma basic net income per share</b>	<b>457,045,493</b>
Dilutive effect of share options	55,404,505
Dilutive effect of contingently issuable shares	3,670,633
<b>Denominator for pro-forma diluted net income per share</b>	<b>516,120,631</b>
<b>Pro-forma basic net income per Class A and Class B ordinary share</b>	<b>0.16</b>
<b>Pro-forma diluted net income per Class A and Class B ordinary share</b>	<b>0.14</b>

For the year ended December 31, 2010, options to purchase ordinary shares that were anti-dilutive and excluded from the calculation of pro-forma diluted net income per share was 1,089,846 shares.

## 22. Subsequent events

On February 24, 2011, the Company established a new direct wholly owned subsidiary, Phoenix New Media (Hong Kong) Company Limited, a Hong Kong limited liability company with issued share capital of one Hong Kong dollar.

On March 15, 2011, the Company adopted the Restricted Share Unit and Restricted Share Scheme (the "March 2011 Scheme"), under which the Company may grant up to 29,059,158 restricted share units or restricted shares to the executives, employees or directors of the Company or its affiliates, provided that the number of restricted share units or restricted shares granted under the March 2011 Scheme plus the number of share options granted and unvested under the June 2008 Scheme shall in no event exceed 96,000,000 shares.

On March 15, 2011, the Company cancelled 18,778,200 stock options granted under the June 2008 Scheme, and on March 17, 2011, the Company granted 19,008,200 restricted shares under the March 2011 Scheme to the affected employees. These transactions are being accounted for as a modification of share-based awards, and the Company is in the process of determining the incremental fair value resulted from this modification. In addition, the Company further granted 10,050,958 restricted share units to its employees under the March 2011 Scheme on March 17, 2011.

Notes to the Consolidated Financial Statements (Continued)

**22. Subsequent events (Continued)**

On March 28, 2011, Phoenix TV and Fenghuang On-line amended their cooperation agreement to extend the expiration of cooperation period from November 2014 to March 2016. The consideration arrangements for the cooperation remained unchanged.

The Company has considered subsequent events through April 21, 2011, which was the date these financial statements were issued.



 **凤凰新媒体**  
Phoenix New Media

WHERE INTERNET, MOBILE & TV CONVERGE,  
THERE IS PHOENIX NEW MEDIA.



American Depositary Shares

**Phoenix New Media Limited**

Representing Class A Ordinary Shares



**Morgan Stanley**

**Deutsche Bank Securities**

**Macquarie Capital**

**Cowen and Company**

**CICC**

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**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences or committing a crime. Our Articles of Association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except through their own willful neglect or default.

Pursuant to the form of indemnification agreements filed as Exhibit 10.2 to this Registration Statement, we will agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.**

We issued the following securities (including options to acquire our ordinary shares) within three years of the date of the registration statement. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Rule 701 or Regulation S under the Securities Act, or pursuant to Section 4(2) of the Securities Act regarding transactions not involving a public offering.

<u>Purchaser</u>	<u>Date of Sale or Issuance</u>	<u>Title and Number of Securities</u>	<u>Consideration (US\$)</u>	<u>Underwriting Discount and Commission</u>
Directors, Officers and Employees	various dates <sup>(1)</sup>	43,497,237 ordinary shares	1,398,436	N/A
	various dates <sup>(2)</sup>	options to purchase 104,757,025 ordinary shares	N/A	N/A
	March 21, 2011	19,008,200 restricted shares	N/A	N/A
	March 21, 2011	10,050,958 restricted share units	N/A	N/A
Phoenix Satellite Television (B.V.I) Holding Limited	December 11, 2007	1 ordinary share	N/A	N/A
	May 23, 2008	319,999,999 ordinary shares	N/A	N/A
Morningside China TMT Fund I, L.P.	November 24, 2009	62,400,000 Series A convertible redeemable preferred shares	12,000,000	N/A

<u>Purchaser</u>	<u>Date of Sale or Issuance</u>	<u>Title and Number of Securities</u>	<u>Consideration (US\$)</u>	<u>Underwriting Discount and Commission</u>
Intel Capital Corporation	November 24, 2009	52,000,000 Series A convertible redeemable preferred shares	10,000,000	N/A
Bertelsmann Asia Investments AG	November 24, 2009	15,600,000 Series A convertible redeemable preferred shares	3,000,000	N/A

- (1) On March 12, 2009, we issued 343,500 ordinary shares. On May 13, 2009, we issued 1,240,000 ordinary shares. On June 8, 2009, we issued 2,250 ordinary shares. On June 30, 2009, we issued 31,500 ordinary shares. On July 10, 2009, we issued 3,750 ordinary shares. On July 15, 2009, we issued 180,625 ordinary shares. On August 4, 2009, we issued 11,250 ordinary shares. On August 10, 2009, we issued 2,625 ordinary shares. On August 11, 2009, we issued 33,125 ordinary shares. On August 28, 2009, we issued 937 ordinary shares. On September 3, 2009, we issued 3,500 ordinary shares. On September 18, 2009, we issued 450,000 ordinary shares. On September 28, 2009, we issued 19,875 ordinary shares. On October 14, 2009, we issued 22,500 ordinary shares. On January 12, 2011, we issued 41,151,800 ordinary shares. The issuances of an aggregate of 43,497,237 ordinary shares in total as described above were made pursuant to our 2008 share option plan.
- (2) On July 04, 2008, we issued 67,000,000 options. In November 2008, we issued 1,374,000 options. On July 31, 2009, we issued 10,584,900 options. On September 15, 2009, we issued 10,029,900 options. On January 8th, 2010, we issued 4,557,900 options. On July 1, 2010, we issued 11,210,325 options.

## **ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

### **(a) Exhibits**

See Exhibit Index beginning on page II-7 of this registration statement.

### **(b) Financial Statement Schedules**

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

## **ITEM 9. UNDERTAKINGS.**

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) For the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness, provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(4) For the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Beijing, People's Republic of China, on April 21, 2011.

**PHOENIX NEW MEDIA LIMITED**

By: /s/ SHUANG LIU

\_\_\_\_\_  
Name: Shuang Liu

Title: Director and Chief Executive Officer

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**SIGNATURE OF AUTHORIZED U.S. REPRESENTATIVE**

Under the Securities Act, the duly authorized representative in the United States of Phoenix New Media Limited, has signed this registration statement or amendment thereto in New York, on April 21, 2011.

Authorized U.S. Representative  
Law Debenture Corporate Services Inc.

By: /s/ KATE LEDYARD

Name: Kate Ledyard  
Title: Managing Director

## POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Shuang Liu and Qianli Liu as attorneys-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of American depositary shares and ordinary shares of the registrant (together, the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities indicated on April 21, 2011.

<u>Signature</u>	<u>Title</u>
<u>/s/ KEUNG CHUI</u> Keung Chui	Chairman of the Board of Directors
<u>/s/ SHUANG LIU</u> Shuang Liu	Director and Chief Executive Officer (principal executive officer)
<u>/s/ YA LI</u> Ya Li	Director, Chief Operating Officer
<u>/s/ DAGUANG HE</u> Daguang He	Director
<u>/s/ QIN LIU</u> Qin Liu	Director
<u>/s/ QIANLI LIU</u> Qianli Liu	Chief Financial Officer (principal financial and accounting officer)

PHOENIX NEW MEDIA LIMITED

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1*	Form of Underwriting Agreement
3.1	Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect
3.2	Second Amended and Restated Memorandum and Articles of Association of the Registrant, to become effective upon the completion of the offering
4.1*	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3)
4.2	Registrant's Specimen Certificate for Class A ordinary shares
4.3*	Deposit Agreement, dated as of 2011, between the Registrant, the depositary and holder of the American Depositary Receipts
4.4	Preferred Share Purchase Agreement, dated as of November 9, 2009, in respect of the sale of the Series A convertible redeemable preferred shares of the Registrant
4.5	Shareholders' Agreement, dated as of November 24, 2009, by and among the Registrant and the other parties thereto
5.1	Opinion of Conyers Dill & Pearman regarding the validity of the ordinary shares being registered
8.1	Form of opinion of Simpson Thacher & Bartlett LLP regarding U.S. tax matters
8.2	Opinion of Zhong Lun Law Firm, regarding PRC tax matters
8.3	Opinion of Conyers Dill & Pearman regarding Cayman Islands tax matters (included in exhibit 5.1)
10.1	Form of the Registrant's Employment Agreements for its executive officers
10.2	Registrant's 2008 Share Option Plan
10.3	Registrant's 2011 Restricted Share Unit and Restricted Share Plan
10.4	Form of Indemnification Agreement with the Registrant's directors and officers
10.5	Translation of the Exclusive Equity Option Agreement, dated as of December 31, 2009, between Fenghuang On-line and Tianying Jiuzhou
10.6	Translation of the Exclusive Equity Option Agreement, dated as of December 31, 2009, between Fenghuang On-line and Yifeng Lianhe
10.7	Translation of the Equity Pledge Agreement, dated as of December 31, 2009, between Fenghuang On-line and Tianying Jiuzhou
10.8	Translation of the Equity Pledge Agreement, dated as of December 31, 2009, between Fenghuang Online and Yifeng Lianhe
10.9	Translation of the Exclusive Technical Consulting & Service Agreement, dated as of December 31, 2009, between Fenghuang On-line and Tianying Jiuzhou
10.10	Translation of the Exclusive Technical Consulting & Service Agreement, dated as of December 31, 2009, between Fenghuang On-line and Yifeng Lianhe



<u>Exhibit Number</u>	<u>Description of Document</u>
10.11	Translation of Loan Agreement, dated as of December 31, 2009, between Fenghuang On-line and the shareholders of Tianying Jiuzhou
10.12	Translation of the Loan Agreement, dated as of December 31, 2009, between Fenghuang On-line and the shareholders of Yifeng Lianhe
10.13	Translation of the Voting Right Entrustment Agreement, dated as of December 31, 2009, between Fenghuang On-line and shareholders of Tianying Jiuzhou
10.14	Translation of the Voting Right Entrustment Agreement, dated as of December 31, 2009, between Fenghuang On-line and the shareholders of Yifeng Lianhe
10.15	Translation of the Content, Branding, Promotion and Technology Cooperation Agreement, dated November 24, 2009, between Fenghuang On-line and Phoenix TV
10.16	Translation of the Supplemental Agreement to the Content, Branding, Promotion and Technology Cooperation Agreement, dated March 28, 2011, between Fenghuang On-line and Phoenix TV
10.17	Translation of the Program Content License Agreement, dated November 24, 2009, between Phoenix TV and Tianying Jiuzhou
10.18	Schedule of material differences between the Program Content Agreements entered into between Tianying Jiuzhou and Yifeng Lianhe, respectively, and Phoenix TV
10.19	Confirmation Letter, dated April 14, 2011, among Tianying Jiuzhou, Yifeng Lianhe and Phoenix Satellite Television Company Limited
10.20	Translation of the Trademark License Agreement, dated as of November 24, 2009, between Phoenix Satellite Television Trademark Limited and Tianying Jiuzhou
10.21	Schedule of material differences between the Trademark License Agreements entered into between Tianying Jiuzhou and Yifeng Lianhe, respectively, and Phoenix Satellite Television Trademark Limited
10.22	Confirmation Letter, dated April 14, 2011, among Tianying Jiuzhou, Yifeng Lianhe and Phoenix Satellite Television Trademark Limited
10.23	Loan Agreement Memorandum, dated as of January 3, 2011, between Phoenix Satellite Television Co., Ltd and Phoenix Satellite Television Information Limited
10.24	Translation of the Cooperation Agreement, dated as of December 29, 2009, between China Mobile Communications Corporation and Tianying Jiuzhou
10.25	Translation of the Cooperation Agreement, dated as of February 14, 2011, between China Mobile Communications Corporation and Tianying Jiuzhou
21.1	List of Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company
23.2	Consent of Conyers Dill & Pearman (included in exhibit 5.1)
23.3	Form of consent of Simpson Thacher & Bartlett LLP (included in exhibit 8.1)
23.4	Consents of Zhong Lun Law Firm (included in exhibit 8.2 and 99.2)
23.5	Consent of Grant Sherman Appraisal Limited
23.6	Consent of Shanghai iResearch Co., Ltd.

<u>Exhibit Number</u>	<u>Description of Document</u>
23.7	Consents to act as directors
24.1	Powers of Attorney (included on signature page)
99.1	Code of Business Conduct and Ethics of the Registrant
99.2	Opinion of Zhong Lun Law Firm

\* To be filed by amendment.



THE COMPANIES LAW (2009 REVISION)  
OF THE CAYMAN ISLANDS  
EXEMPTED COMPANY LIMITED BY SHARES

AMENDED AND RESTATED  
MEMORANDUM AND ARTICLES

OF

ASSOCIATION

OF

\_\_\_\_\_  
PHOENIX NEW MEDIA LIMITED  
\_\_\_\_\_

(adopted by special resolution passed on November 24, 2009)

THE COMPANIES LAW (2009 REVISION)  
OF THE CAYMAN ISLANDS  
EXEMPTED COMPANY LIMITED BY SHARES

AMENDED AND RESTATED  
MEMORANDUM OF ASSOCIATION

OF

PHOENIX NEW MEDIA LIMITED

(adopted by Special Resolution passed on November 24, 2009)

- 1 The name of the Company is PHOENIX NEW MEDIA LIMITED.
- 2 The registered office of the Company shall be at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1- 1111, Cayman Islands or at such other place as the Directors may from time to time decide.
- 3 The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (2009 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands.
- 4 Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies Law (2009 Revision).
- 5 Nothing in this Memorandum shall permit the Company to carry on a business for which a license is required under the laws of the Cayman Islands unless duly licensed.
- 6 The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
- 7 The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.
- 8 The share capital of the Company is US\$10,000,000 divided into 1,000,000,000 shares comprising of: (i) 870,000,000 Ordinary Shares of a par value of US\$0.01 each ordinary Shares") and (ii) 130,000,000 convertible Series A Preferred Shares of a par



value of US\$0.01 each (“**Series A Preferred Shares**”), with power for the Company insofar as is permitted by applicable law and the Articles of Association to redeem or purchase any of its shares and to increase or reduce the said capital and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.

- 9 The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.
- 10 Capitalised terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company.



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THE COMPANIES LAW (2009 REVISION)  
OF THE CAYMAN ISLANDS  
EXEMPTED COMPANY LIMITED BY SHARES

AMENDED AND RESTATED  
ARTICLES OF ASSOCIATION  
OF  
PHOENIX NEW MEDIA LIMITED  
(adopted by Special Resolution passed on November 24, 2009)

**INTERPRETATION**

- 1 In these Articles Table A in the First Schedule to the Statute does not apply and, unless there is something in the subject or context inconsistent therewith:

<b>“Actual Profit”</b>	has the meaning given to such term in Article 7.4.4(vii)(B).
<b>“Additional Ordinary Shares”</b>	means all Ordinary Shares or Ordinary Share Equivalents issued by the Company after the date hereof; <u>provided</u> that the term “Additional Ordinary Shares” does not include (i) the Ordinary Shares issued or issuable under the Employee Stock Option Plan; (ii) Ordinary Shares issued or issuable in connection with any share split, share dividend, combination, recapitalization or other similar transaction of the Company; (iii) Ordinary Shares issued or issuable upon conversion or exercise of the Series A Preferred Shares; (iv) Ordinary Shares issued in connection with a bona fide business acquisition by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, as unanimously approved by the Board; and (v) Ordinary Shares issued to one or more strategic corporate partners, as unanimously approved by the Board.
<b>“Affiliates”</b>	means, with respect to a Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person, and the term <b>“affiliated”</b> has the meaning correlative to the foregoing.
<b>“Articles”</b>	means these articles of association of the Company, as amended from time to time.

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<b>“Auditor”</b>	means the person for the time being performing the duties of auditor of the Company (if any).
<b>“Board”</b>	means the board of Directors of the Company.
<b>“Company”</b>	means the above named company.
<b>“Control Documents”</b>	has the meaning given to such term in Article 7.2.2.
<b>“Conversion Shares”</b>	has the meaning given to such term in Article 7.4.5(i).

“Directors” or “Director”	means the director(s) the Company.
“Dividend”	includes an interim dividend.
“Electronic Record”	has the same meaning as in the Electronic Transactions Law (2003 Revision).
“Employee Stock Option Plan”	means the share incentive plan approved by the shareholders of the parent company of the Company on June 20, 2008 with the number of Shares of the Company reserved under such share incentive plan not exceeding 96,000,000 (including all the Shares which certain individual holders (or their respective designees, nominees or assignees) hold by exercising their respective options), as from time to time amended as mandatorily required by the Hong Kong Stock Exchange rules or with the unanimous approval by the Board, including the affirmative approval by the Series A Director.
“Group Companies”	means each of the Company, PHOENIX SATELLITE TELEVISION INFORMATION LIMITED, a company organized and existing under the laws of the British Virgin Islands (the “BVI Co”), FENGHUANG ON-LINE (BEIJING) INFORMATION TECHNOLOGY CO., LTD. 凤凰光网信息科技(北京)有限公司 a wholly foreign owned enterprise organized and existing under the laws of PRC (“WFOE”), BEIJING TIANYING JIUZHOU NETWORK TECHNOLOGY CO., LTD. 北京天映九州网络技术有限责任公司 (and as from the date on which the Control Documents take effect, but not before) a domestic company duly organized and validly existing under the laws of PRC (“Tian Ying”) YIFENG LIANHE (BEIJING) TECHNOLOGY CO., LTD. 易锋联合(北京)科技有限公司 (and as from the date on which the Control Documents take effect, but not before) a domestic company duly incorporated and validly

existing under the laws of the PRC (“Yi Feng” and together with Tian Ying, the “Domestic Companies” and each a “Domestic Company”), and any directly or indirectly wholly-owned subsidiary of any Group Company, and of their respective controlled Affiliates (with each of such Group Companies being referred to as a “Group Company”). Notwithstanding the foregoing, Group Companies shall not include PHOENIXI Investment Limited, PHOENIXI INC and Guofeng On-line (Beijing) Information Technology Co., Ltd. 凤凰光网信息科技(北京)有限公司.

“Intel”	means Intel Capital Corporation, including its respective successors and permitted assigns.
“Intel Director”	has the meaning given to such term in Article 86.2.
“Liquidation Event”	has the meaning given to such term in Article 7.2.2.
“Member”	has the same meaning as in the Statute.
“Memorandum”	means the memorandum of association of the Company, as amended from time to time.
“Morningside”	means Morningside China TMT Fund I, L.P., including its respective successors and permitted assigns.
“Notice of Redemption”	has the meaning given to such term in Article 20.2.
“Ordinary Resolution”	means a resolution passed by a simple majority of the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, and includes a unanimous written resolution. In computing the majority when a poll is demanded, regard shall be given to the number of votes to which each Member is entitled under the Articles.
“Ordinary Shares”	means a voting share of a par value of US\$0.01 each in the share capital of the Company.
“Ordinary Shares Equivalents”	means warrants, options and rights exercisable for Ordinary Shares or securities convertible into or exchangeable for Ordinary Shares, including, without limitation, the Series A Preferred Shares.
“Person” or “person”	means any individual, sole proprietorship, partnership, firm, joint venture, estate, trust, unincorporated organization, association, corporation, institution, public

benefit corporation, entity or governmental or regulatory authority or other entity of any kind or nature.

“Preference Amount”	has the meaning given to such term in Article 7.2.1(i).
“Purchase Agreement”	means the preferred share purchase agreement entered into by and among the Company, the WFOE, the Domestic Companies, Morningside, Intel and certain other parties thereto, dated on or about

<b>“Qualified IPO”</b>	means a firm-commitment underwritten public offering and listing by the Company of its Ordinary Shares on the NASDAQ Global Select Market or the New York Stock Exchange in the United States or any other exchange in any other jurisdiction (on any combination of such exchanges and jurisdictions) acceptable to the holders of a majority of the then outstanding Series A Preferred Shares and to the Company with aggregate offering proceeds (before deduction of fees, commissions or expenses) to the Company of greater than US\$80 million (or any cash proceeds of other currency of equivalent value) implying a valuation of no less than US\$400,000,000 immediately before such public offering; in any case, managed by a lead underwriter of international reputation.
<b>“Redemption Price”</b>	has the meaning given to such term in Article 20.4.
<b>“Redemption Event Redemption”</b>	has the meaning given to such term in Article 20.1.
<b>“Redemption Price”</b>	has the meaning given to such term in Article 20.3.
<b>“Redemption Shares”</b>	has the meaning given to such term in Article 20.1.
<b>“Redemption Starting Date”</b>	has the meaning given to such term in Article 20.1.
<b>“Register of Members”</b>	means the register maintained in accordance with the Statute and includes (except where otherwise stated) any duplicate Register of Members.
<b>“Registered Office”</b>	means the registered office for the time being of the Company.
<b>“Seal”</b>	means the common seal of the Company and includes every duplicate seal.
<b>“Series A Conversion</b>	has the meaning given to such term in Article 7.4.3.

<b>Price”</b>	
<b>“Series A Director”</b>	has the meaning ascribed to such term in Article 86.1.
<b>“Series A Original Issue Date”</b>	means the date when the first Series A Preferred Share was issued.
<b>“Series A Original Issue Price”</b>	with respect to each Series A Preferred Share, US\$0.1923, as adjusted for any share splits, share dividends, combinations, recapitalizations and other similar transactions.
<b>“Series A Preferred Shares”</b>	means the convertible Series A Preferred Shares of a par value of US\$0.01 each in the share capital of the Company, which are designated as Series A Preferred Shares.
<b>“Share” and “Shares”</b>	means a share or shares in the capital of the Company including the Ordinary Shares and Series A Preferred Shares and includes a fraction of a share.
<b>“Shareholders Agreement”</b>	means the shareholders’ agreement entered into by and among the Company, the WFOE, the Domestic Companies and certain other parties thereto, dated on or about November 24, 2009 regarding their respective rights as shareholders of the Company.
<b>“Special Resolution”</b>	has the same meaning as in the Statute save that such resolution must be passed either:  (i) passed by Members or their proxies holding not less than eighty percent (80%) of votes entitled to do vote at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and at which a quorum is present; or  (ii) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members aforesaid, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed.
<b>“Statute”</b>	means the Companies Law (2009 Revision) of the Cayman Islands.

<b>“Target Profit”</b>	has the meaning given to such term in Article 7.4.4(vii)(A).
<b>“2010 Financial Statement”</b>	has the meaning given to such term in Article 7.4.4(vii)(A).

- 2.1 words importing the singular number include the plural number and vice versa;
- 2.2 words importing the masculine gender include the feminine gender;
- 2.3 words importing persons include corporations;
- 2.4 “written” and “in writing” include all modes of representing or reproducing words in visible form, including in the form of an Electronic Record;
- 2.5 references to provisions of any law or regulation shall be construed as references to those provisions as amended, modified, re-enacted or replaced from time to time;
- 2.6 any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- 2.7 headings are inserted for reference only and shall be ignored in construing these Articles; and
- 2.8 in these Articles Section 8 of the Electronic Transactions Law (2003 Revision) shall not apply.

### **COMMENCEMENT OF BUSINESS**

- 3 The business of the Company may be commenced as soon after incorporation as the Directors shall see fit.
- 4 The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company, including the expenses of registration.

### **ISSUE OF SHARES**

- 5 Subject to the provisions, if any, in that behalf in the Memorandum and in these Articles (including but not limited to [Article 7](#)) and to any direction that may be given by the Company in a general meeting and without prejudice to any special rights previously conferred on the holders of existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares of the Company (including fractions of a share) with or without preferred, deferred or other special rights or restrictions, whether in regard to

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dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper. The Company shall not issue shares in bearer form.

- 6 **CLASSES, NUMBER, PAR VALUE AND SENIORITY OF THE SHARES**

At the date of the adoption of these Articles the authorized share capital of the Company is US\$10,000,000 divided into 870,000,000 Ordinary Shares of a par value of US\$0.01 each and 130,000,000 convertible Series A Preferred Shares of a par value of US\$0.01 each. The rights, preferences or priorities of the Series A Preferred Shares (whether in terms of voting rights, Dividends, liquidation preferences, conversion rights, adjustment to conversion prices, redemption rights or otherwise) shall not be subordinated and shall at all times be at least equal to the rights, preferences or priorities granted to all the other existing or future Members, except with consent of the holders of more than two thirds (2/3) of the then outstanding Series A Preferred Shares.

- 7 **DESIGNATIONS, POWERS, PREFERENCES, ETC. OF SHARES**

#### 7.1 **Dividends.**

- 7.1.1 The Board may, subject to the Statute and these Articles, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company). Subject to the Statute and these Articles, no Dividends or other distributions shall be made or declared, whether in cash, in property, or in any other shares of the Company, with respect to any other class or series of shares of the Company, unless and until Dividend in like amount was first paid in full on the Series A Preferred Shares (on an as-converted basis).
- 7.1.2 Upon approval of the Board, each holder of a Series A Preferred Share shall be entitled to receive in preference to any payment to the Ordinary Shares, on an annual basis, preferential, non-cumulative Dividends at the rate of eight percent (8%) of the Series A Original Issue Price (as adjusted for any share splits, share Dividends, combinations, recapitalizations or similar transactions) payable (i) in cash, or (ii) at the election of the such holder of a Series A Preferred Share, by converting into Ordinary Shares at the then effective conversion price for Series A Preferred Shares, prior and in preference to any Dividend on any other Shares when declared by the Board. All declared but unpaid Dividends shall be paid in cash when and as such cash becomes legally available to the holders of Series A Preferred Shares immediately prior to the closing of a Qualified IPO,
- 7.1.3 In the event the Company shall declare a distribution payable in securities of other persons, assets (excluding cash Dividends) or options or rights to purchase any such securities or evidences of indebtedness, then, in each such case, the holders of the Series A Preferred Shares shall be entitled to

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a proportionate share of any such distribution as though the holders of the Series A Preferred Shares were the holders of the number of Ordinary Shares of the Company into which their Series A Preferred Shares are convertible as of the record date fixed for the determination of the holders of Ordinary Shares entitled to receive such distribution.

- 7.1.4 All declared but unpaid Dividends shall be payable to the holders of the Series A Preferred Shares immediately prior to (i) a Liquidation Event or (ii) the consummation of a Qualified IPO.

7.2 Liquidation.

- 7.2.1 Liquidation Preferences. Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary:

- (i) Before any distribution or payment shall be made to the holders of any Ordinary Shares, each holder of Series A Preferred Shares shall be entitled to receive an amount equal to one hundred thirty percent (130%) of the Series A Original Issue Price (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions), plus all dividends declared and unpaid with respect thereto (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) (the “**Preference Amount**”) per each Series A Preferred Share then held by such holder. If, upon any such liquidation, distribution, or winding up, the assets of the Company shall be insufficient to make payment of the foregoing amounts in full on all Series A Preferred Shares, then such assets shall be distributed among the holders of Series A Preferred Shares, ratably in proportion to the full amounts to which such holder of Series A Preferred Shares would otherwise be respectively entitled thereon.
- (ii) After distribution or payment in full of the amount distributable or payable on the Series A Preferred Shares pursuant to Article 7.2.1(i), the remaining assets of the Company available for distribution to Members shall be distributed ratably among the holders of Series A Preferred Shares and the outstanding Ordinary Shares on an as-converted basis until the holders of Series A Preferred Shares has received an aggregate distribution or payment, inclusive of the Preference Amount, equal to four (4) times the Preference Amount for each Series A Preferred Shares.
- (iii) After distribution or payment in full of the amount distributable or payable pursuant to Article 7.2.1(i) and Article 7.2.1(ii), any remaining assets of the Company available for distribution to Members shall be distributed ratably among the holders of the outstanding Ordinary Shares. Nothing in these Articles shall be construed to limit the right of the holders of Series A Preferred

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Shares to convert part or all of their respective Series A Preferred Shares into Ordinary Shares, foregoing any claim to the Preference Amount in favor of participating ratably in any distribution on the Ordinary Shares.

- 7.2.2 Liquidation on Sale or Merger. The following events shall be treated as a liquidation (each, a “**Liquidation Event**”) under this Article 7.2 unless waived by the holders of at least a majority of the then outstanding Series A Preferred Shares, voting together as a single class on an as-if-converted basis:

- (i) any consolidation, amalgamation or merger of the Company, with or into any Person, or any other corporate reorganization, in which Ordinary Share Equivalents held by the Members of the Company immediately before such transaction represent, or are converted into or exchanged for less than fifty percent (50%) of the surviving or acquiring Person’s voting power immediately after such transaction (excluding any transaction effected solely for tax purposes or to change the Company’s domicile) or any sale or acquisition of Ordinary Shares or Ordinary Share Equivalents of the Company as a result of which more than fifty percent (50%) of the Ordinary Shares or Ordinary Share Equivalents are held by one Person or a group of related Persons;
- (ii) a sale of all or substantially all of the assets of any Group Company;
- (iii) the exclusive licensing of all or substantially all of any Group Company’s intellectual property to a third party; or
- (iv) the termination of, or making any material amendments to, any of the Exclusive Technical Consulting and Service Agreement, Equity Pledge Agreement, Call Option Agreement and Voting Trust Agreement (together, the “**Control Documents**”) designed to provide the Company through the WFOE with control over, and the ability to consolidate the financials statements of, the Domestic Company,

and upon any such event, any proceeds resulting to the Members of the Company therefrom shall be distributed in accordance with the terms of Article 7.2.1.

- 7.2.3 In the event the Company proposes to distribute assets other than cash in connection with any liquidation, dissolution or winding up of the Company, the value of the assets to be distributed to the holder of Series A Preferred Shares and Ordinary Shares shall be determined in good faith by the Board, or by a liquidator if one is appointed. Any securities not

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subjected to investment letter or similar restrictions on free marketability shall be valued as follows:

- (i) If traded on a securities exchange, the value shall be deemed to be the average of the security’s closing prices on such exchange over the thirty (30) day period ending one (1) day prior to the distribution;

- (ii) If traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the thirty (30) day period ending three (3) days prior to the distribution; and
- (iii) If there is no active public market, the value shall be the fair market value thereof as determined in good faith by the Board.

The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be adjusted to make an appropriate discount from the market value determined as above in clauses (i), (ii) or (iii) to reflect the fair market value thereof as determined in good faith by the Board, or by a liquidator if one is appointed. The holders of at least a majority of the outstanding Series A Preferred Shares or the holders of at least a majority of the outstanding Ordinary Shares shall each have the right to challenge any determination by the Board of fair market value pursuant to this Article 7.2.3, in which case the determination of fair market value shall be made by an independent appraiser selected jointly by the Board and the challenging parties, the cost of such appraisal to be borne equally by the Company and the challenging parties.

### 7.3 Voting Rights.

Subject to the provisions of the Memorandum and the Articles, at all general meetings of the Company: (i) the holder of each Ordinary Share issued and outstanding shall have one vote in respect of each Ordinary Share held, and (ii) the holder of each Series A Preferred Share shall be entitled to such number of votes as equals the whole number of Ordinary Shares into which such holder's collective Series A Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Company's Members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Company's Members is first solicited. Subject to provisions to the contrary elsewhere in the Memorandum and the Articles, or as required by the Statute, the holders of Series A Preferred Shares shall vote together with the holders of Ordinary Shares, and not as a separate class or series, on all matters put before the Members.

### 7.4 Conversion.

The holders of Series A Preferred Shares shall have the following rights described below with respect to the conversion of the Series A Preferred Shares into

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Ordinary Shares. Subject to the provisions of Article 7.4.2, the number of Ordinary Shares to which a holder shall be entitled upon conversion of any Series A Preferred Share shall be the quotient of the Series A Original Issue Price divided by the then-effective Series A Conversion Price. For the avoidance of doubt, subject to the provisions of Article 7.4.2, the initial conversion ratio for Series A Preferred Shares to Ordinary Shares shall be 1:1 and shall be subject to adjustment based on adjustments of the Series A Conversion Price as set forth below:

#### 7.4.1 Optional Conversion.

- (i) Subject to and in compliance with the provisions of this Article 7.4.1 and subject to compliance with the requirements of the Statute, any Series A Preferred Share may, at the option of the holder thereof, be converted at any time into fully-paid and nonassessable Ordinary Shares based on the then-effective Series A Conversion Price.
- (ii) The holder of any Series A Preferred Share who desires to convert such shares into Ordinary Shares shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or any transfer agent for the Series A Preferred Shares, and shall give written notice to the Company at such office that such holder has elected to convert such shares. Such notice shall state the number of Series A Preferred Shares being converted. In the event that such holder is unable to deliver the relevant certificate(s), such holder shall also notify the Company or its transfer agent that such certificate has been lost, stolen or destroyed and execute an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificate. Upon receipt of such notice and share certificate(s) or satisfactory agreement for indemnification in the case of a lost certificate, the Company shall promptly issue the relevant number of Ordinary Shares to such holder by making the relevant entries in the Register of Members, and issue and deliver to such holder a certificate or certificates for the number of Ordinary Shares to which the holder is entitled. No fractional Ordinary Shares shall be issued upon conversion of the Series A Preferred Shares, and the number of Ordinary Shares to be so issued to a holder of Series A Preferred Shares upon the conversion of such Series A Preferred Shares (after aggregating all fractional Ordinary Shares that would be issued to such holder) shall be rounded to the nearest whole share (with one-half being rounded upward).

#### 7.4.2 Automatic Conversion.

- (i) Without any action being required by the holder of such share and whether or not the certificates representing such share are

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surrendered to the Company or its transfer agent, each Series A Preferred Share shall automatically be converted into Ordinary Shares upon the closing of a Qualified IPO, based on the then effective Series A Conversion Price.

- (ii) The Company shall not be obligated to issue certificates for any Ordinary Shares issuable upon the automatic conversion of any Series A Preferred Shares unless the certificate or certificates evidencing such Series A Preferred Shares is either delivered as provided below to the Company or any transfer agent for the Series A Preferred Shares, or the holder notifies

the Company or its transfer agent that such certificate has been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificate. The Company shall, as soon as practicable after receipt of certificates for Series A Preferred Shares, or satisfactory agreement for indemnification in the case of a lost certificate, promptly issue the relevant number of Ordinary Shares to such holder by making the relevant entries in the Register of Members, and issue and deliver at its office to the holder thereof a certificate or certificates for the number of Ordinary Shares to which the holder is entitled. No fractional Ordinary Shares shall be issued upon conversion of the Series A Preferred Shares, and the number of Ordinary Shares to be so issued to a holder of converting Series A Preferred Shares (after aggregating all fractional Ordinary Shares that would be issued to such holder) shall be rounded to the nearest whole share (with one-half being rounded upward).

7.4.3 Initial Series A Conversion Price. The “**Series A Conversion Price**” shall initially equal the Series A Original Issue Price, and shall be adjusted from time to time as provided below in Article 7.4.4.

7.4.4 Adjustments to Series A Conversion Price.

(i) *Adjustment for Share Splits and Combinations.* If the Company shall at any time, or from time to time, effect a subdivision of the outstanding Ordinary Shares, the Series A Conversion Price in effect immediately prior to such subdivision shall be proportionately decreased. Conversely, if the Company shall at any time, or from time to time, combine the outstanding Ordinary Shares into a smaller number of shares, the Series A Conversion Price in effect immediately prior to the combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

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(ii) *Adjustment for Ordinary Share Dividends and Distributions.* If the Company makes (or fixes a record date for the determination of holders of Ordinary Shares entitled to receive) a dividend or other distribution to the holders of Ordinary Shares payable in Additional Ordinary Shares, the Series A Conversion Price then in effect shall be decreased as of the time of such issuance (or in the event such record date is fixed, as of the close of business on such record date) by multiplying the Series A Conversion Price then in effect by a fraction (i) the numerator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (ii) the denominator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Additional Ordinary Shares (on an as-converted basis) issuable in payment of such dividend or distribution.

(iii) *Adjustments for Other Dividends.* If the Company at any time, or from time to time, makes (or fixes a record date for the determination of holders of Ordinary Shares entitled to receive) a dividend or other distribution payable in securities of the Company other than Ordinary Shares or Ordinary Share Equivalents, then, and in each such event, provision shall be made so that, upon conversion of any Series A Preferred Share thereafter, the holder thereof shall receive, in addition to the number of Ordinary Shares issuable thereon, the amount of securities of the Company which the holder of such share would have received had the Series A Preferred Shares been converted into Ordinary Shares immediately prior to such event, all subject to further adjustment as provided herein.

(iv) *Reorganizations, Mergers, Consolidations, Reclassifications, Exchanges, Substitutions.* If at any time, or from time to time, any capital reorganization or reclassification of the Ordinary Shares (other than as a result of a share dividend, subdivision, split or combination otherwise treated above) occurs or the Company is consolidated, merged or amalgamated with or into another Person (other than a consolidation, merger or amalgamation treated as a Liquidation Event), then in any such event, provision shall be made so that, upon conversion of any Series A Preferred Share thereafter, the holder thereof shall receive the kind and amount of shares and other securities and property which the holder of such share would have received had the Series A Preferred Shares been converted into Ordinary Shares on the date of such event, all subject to further adjustment as provided herein, or with respect to such other securities or property, in accordance with any terms applicable thereto.

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(v) *Sale of Shares below the Series A Conversion Price.*

(A) Adjustment to Series A Conversion Price.

(1) In the event the Company shall at any time after the Series A Original Issue Date issue Additional Ordinary Shares, without consideration or for a consideration per share less than the Series A Conversion Price in effect immediately prior to such issue, then the Series A Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

$$CP2 = CP1 * (A + B) / (A + C).$$

(2) For purposes of the foregoing formula, the following definitions shall apply:

(a) CP2 shall mean the Series A Conversion Price in effect immediately after such issue of Additional Ordinary Shares;

- (b) CP1 shall mean the Series A Conversion Price in effect immediately prior to such issue of Additional Ordinary Shares;
- (c) “A” shall mean the number of Ordinary Shares outstanding immediately prior to such issue of Additional Ordinary Shares, treating for this purpose as outstanding all Ordinary Shares issuable upon conversion of or exchange for the Series A Preferred Shares outstanding immediately prior to such issue;
- (d) “B” shall mean the number of Ordinary Shares that would have been issued if such Additional Ordinary Shares had been issued at a price per share equal to CP1 (determined by dividing the aggregate consideration received by the Company in respect of such issue by CP1); and
- (e) “C” shall mean the number of such Additional Ordinary Shares issued in such transaction.

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- (B) Determination of Consideration. For the purpose of making any adjustment to the Series A Conversion Price or the number of Ordinary Shares issuable upon conversion of the Series A Preferred Shares, as provided above:
  - i) To the extent it consists of cash, the consideration received by the Company for any issue or sale of securities shall be computed at the gross amount of cash received by the Company before deduction of any underwriting or similar commissions, compensations, discounts or concessions paid or allowed by the Company in connection with such issue or sale;
  - ii) To the extent it consists of property other than cash, consideration other than cash received by the Company for any issue or sale of securities shall be computed at the fair market value thereof (as determined in good faith by a majority of the Board), as of the date of the adoption of the resolution specifically authorizing such issue or sale, irrespective of any accounting treatment of such property; and
  - iii) If Additional Ordinary Shares or Ordinary Share Equivalents exercisable, convertible or exchangeable for Additional Ordinary Shares are issued or sold together with other stock or securities or other assets of the Company for consideration which covers both, the consideration received for the Additional Ordinary Shares or such Ordinary Share Equivalents shall be computed as that portion of the consideration received (as determined in good faith by a majority of the Board) to be allocable to such Additional Ordinary Shares or Ordinary Share Equivalents.
- (C) No Exercise. If all of the rights to exercise, convert or exchange any Ordinary Share Equivalents shall expire without any of such rights having been exercised, the Series A Conversion Prices as adjusted upon the issuance of such Ordinary Share Equivalents shall be readjusted to the Series A Conversion Price which would have been in effect had such adjustment been made.

- (vi) Other Dilutive Events. In case any event shall occur as to which the other provisions of this Article 7.4 are not strictly applicable,

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but the failure to make any adjustment to Series A Conversion Price would not fairly protect the conversion rights of Series A Preferred Shares in accordance with the essential intent and principles hereof, then, in each such case, the Company, in good faith, shall determine the appropriate adjustment to be made, on a basis consistent with the essential intent and principles established in this Article 7.4, necessary to preserve, without dilution, the conversion rights of Series A Preferred Shares.

- (vii) Performance Valuation Adjustment.

Without limitation to the adjustments described in the other subsections of this Article 7.4, so long as any of the Series A Preferred Shares remain issued and outstanding, the Series A Conversion Price shall be adjusted in accordance with the following provisions:

- (A) Following the Series A Original Issue Date, the Company shall use its best efforts to achieve a total net profit of not less than RMB80,000,000 (the “**Target Profit**”) for the financial year of 2010, as determined with reference to the Company’s audited consolidated financial statements under 1FRS or PRC GAAP, of which the selection shall be decided by the Board applied consistently with past periods (the “**2010 Financial Statement**”) for the twelve (12) month period ending December 31, 2010.
- (B) In the event that the 2010 Financial Statement reflects actual net profits for the relevant period (the “**Actual Profit**”) that are less than the Target Profit, the Series A Conversion Price shall be adjusted in accordance with the following formula in order to reflect a one-time adjustment, which adjustment shall be deemed effective as of December 31, 2010:

$$\text{New Series A Conversion Price} = \text{Series A Conversion Price (then in effect)} * \frac{\text{Actual Profit/Target Profit}}{\text{Actual Profit}}$$

- (C) For the avoidance of doubt, (i) any interest loss from any impact of any redemption, and (ii) any other loss solely attributable to any grant of any option pursuant to the Employee Stock Option Plan, should be excluded from the measurement of the Actual Profit.
- (D) Notwithstanding the foregoing, in no event shall the Series A Conversion Price be adjusted by more than twenty five

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percent (25%) from the Series A Conversion Price then in effect as a result of this Article 7.4.4(ii).

- (viii) *Certificate of Adjustment.* In the case of any adjustment or readjustment of the Series A Conversion Price, the Company, at its sole expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of Series A Preferred Shares at such holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Company for any Additional Ordinary Shares issued or sold or deemed to have been issued or sold, (ii) the number of Additional Ordinary Shares issued or sold or deemed to be issued or sold, (iii) the Series A Conversion Price in effect before and after such adjustment or readjustment, and (iv) the number of Ordinary Shares and the type and amount, if any, of other property which would be received upon conversion of Series A Preferred Shares after such adjustment or readjustment.
- (ix) *Notices.* Any notice required or permitted pursuant to this Article 7.4 shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to each holder of record at the address of such holder appearing on the books of the Company. Where a notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a confirmation of delivery, and to have been effected at the expiration of two (2) business days after the letter containing the same is sent as aforesaid. Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid.

#### 7.4.5 Mechanics of Conversion.

- (i) Conversions made pursuant to this Article 7.4 shall be made by way of redemption of the relevant Series A Preferred Shares and issue of the relevant number of Ordinary Shares determined in accordance with the above articles ("**Conversion Shares**"). Upon

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conversion, such Series A Preferred Shares shall be cancelled and all rights with respect to such Series A Preferred Shares, including the rights, if any, to receive Dividends, notices and to vote, shall immediately cease and terminate, except for the right of the holders thereof to receive the Conversion Shares. Any Series A Preferred Shares converted by way of redemption shall be cancelled and the amount of the Company's issued share capital shall be diminished by the par value of those Series A Preferred Shares accordingly; but each conversion of Series A Preferred Shares shall not be taken as reducing the amount of the Company's authorized share capital.

- (ii) Provided that the total nominal par value of the Series A Preferred Shares being converted is equal to the nominal par value of the Ordinary Shares into which they convert, the Company may, by resolution of the Board, redesignate the Series A Preferred Shares into Ordinary Shares. Upon such resolution, each such Series A Preferred Share to be converted shall be redesignated as a Ordinary Share with the rights, privileges, terms and obligations of such Ordinary Shares and the converted Series A Preferred Share shall henceforth form part of the Ordinary Share into which it has been converted (and shall cease to form part of the Series A Preferred Shares from which it has converted for all purposes hereof).

#### 7.5 Acts of the Company Requiring Approval of Holders of Series A Preferred Shares.

- (a) In addition to the requirements of Article 48, for so long as any Series A Preferred Share remains outstanding, in addition to any other vote or consent required elsewhere in the Memorandum and the Articles or by the Statute, the Company shall not, by direct action or by merger, consolidation or otherwise (or permit any Group Company to do (substituting references to "**Company**" with "**Group Company**" in the provisions and defined terms below as the context requires)), by direct action or by merger, consolidation or otherwise, without first obtaining the approval (by vote or written consent, as provided by law) of the holders of more than two thirds (2/3) of the then outstanding Series A Preferred Shares, carry out any of the following actions, and in the context of such matters set forth in this Article 7.5 which are by the Statute required to be determined by the Members, the consent of the holders of the Series A Preferred Shares shall be deemed obtained if the matter is approved at a general meeting of the Company with the affirmative vote of not less than two-thirds of the Series A Preferred Shares or by way of a written resolution signed by all holders of the Series A Preferred Shares:
  - (i) any amendment, modification or change of any rights, preferences, privileges or powers of, or any restrictions provided for the benefit of, the holders of Series A Preferred Shares;

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- (ii) the authorization, creation or issuance of any class or series of securities (or warrants, options or similar rights to acquire such securities) having any right, preference or priority superior to or on a parity with the Series A Preferred Shares, whether in terms of voting rights, Dividends, liquidation preferences, conversion rights, adjustment to conversion prices, redemption rights or otherwise, excluding issuances to employees, directors and consultants pursuant to the Employee Stock Option Plan;
- (iii) repurchase or redemption of shares (other than pursuant to the terms herein, or conditions upon which such shares are issued and in both cases in accordance with the repurchase or redemption provisions in these Articles) and the issuance of shares with such rights of repurchase or redemption;
- (iv) stock split, share consolidation or stock Dividend, reclassification or other forms of restructuring of share capital;
- (v) any amendment, repeal, modification or change of any provision of the Articles of the Company or the constitutional documents of any other Group Company;
- (vi) any change in the business scope or nature of the business of the Group Companies (taken as a whole);
- (vii) any merger, amalgamation, sale, consolidation of any Group Company with or into any other entity or entities or any spin-off, sub-division, or any other transaction of a similar nature or having a similar economic effects as any of the foregoing, or other forms of restructuring of any Group Company;
- (viii) public offering of any debt or equity securities of any Group Company;
- (ix) liquidation, dissolution or winding up of any Group Company;
- (x) the sale or disposal of or creation of any encumbrance over all or substantially all of the assets of any Group Company or any material asset or undertaking of any Group Company as a result of which such Group Company may not be able to continue or maintain its normal business or the scale of its normal business;
- (xi) transactions between any Group Company and any of its shareholders, directors, officers, employees or other insiders and any of their family members or affiliates other than transactions occurring in the ordinary course of business and on an arms-length basis and upon full disclosure in writing to the holders of Series A Preferred Shares;

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- (xii) creation of any mortgage, pledge, lien, charge on all or any assets or rights (including intellectual property rights) of the Group Companies (taken as a whole) (other than those in favor of any Group Company) in excess of RMB10,000,000, or providing any type of guarantee by the Group Companies (taken as a whole) (other than those in favor of any Group Company) in excess of RMB10,000,000 and such mortgage, pledge, lien, charge or guarantee is not provided in the annual budget of the Group Companies (taken as a whole)
  - (xiii) any increase or decrease in the number of the board of directors of any Group Company;
  - (xiv) appointment or removal of the auditors of any Group Company and the determination of their fees, remuneration or other compensation;
  - (xv) any extraordinary increase in remuneration, compensation or other benefits (excluding employees' share options) of any of the five (5) most highly compensated employees of the Group Companies (taken as a whole) of any such individual above 30% of their current entitlements; and
  - (xvi) the incurrence of any expenditure or indebtedness or assumption of any financial obligations or the issue, assumption, or creation of any liability for borrowed money by any Group Company (in one transaction or a series of related transactions) other than those as provided in the annual budget, in excess of US\$1,000,000.
- (b) Any decision to depart from the Company's current policy of not declaring, accruing or paying Dividend on any Shares which is not acceptable to the Series A director would give rise to an early and immediate redemption right to each holder of Series A Preferred Shares.
  - (c) Replacement of and additional appointment to the current chief executive officer, the chief financial officer, the chief operating officer of the Company, or their equivalent as of the date of this Agreement which is not acceptable to the Series A director would give rise to an early and immediate redemption right to each holder of Series A Preferred Shares.
  - (d) Any significant departure of more than 50% in the forecasted profit of an annual budget or any significant departure of a business plan in the adoption of such annual budget or setting any milestones or corporate benchmarks for the Group Companies from the three-year projections and the business plan submitted by the Company to the holders of Preferred Shares in connection with the transactions contemplated under the

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Purchase Agreement would give rise to an early and immediate redemption right to each holder of Series A Preferred Shares.

- (e) The creation, adoption or amendment of any equity incentive plan, or equivalent, for the benefit of the Group Companies' employees, directors and consultants and the amendment to any terms and conditions thereof (save as required by applicable Law or stock exchange rules), which is not acceptable to the Series A director would give rise to an early and immediate redemption right to each holder of Series A Preferred Shares.

#### **REGISTER OF MEMBERS**

8 The Company shall maintain or cause to be maintained the Register of Members in accordance with the Statute.

#### **CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE**

9 For the purpose of determining Members entitled to notice of, or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any Dividend, or in order to make a determination of Members for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period which shall not in any case exceed forty days. If the Register of Members shall be closed for the purpose of determining Members entitled to notice of, or to vote at, a meeting of Members the Register of Members shall be closed for at least ten days immediately preceding the meeting.

10 In lieu of, or apart from, closing the Register of Members, the Directors may fix in advance or arrears a date as the record date for any such determination of Members entitled to notice of, or to vote at any meeting of the Members or any adjournment thereof, or for the purpose of determining the Members entitled to receive payment of any Dividend or in order to make a determination of Members for any other purpose.

11 If the Register of Members is not so closed and no record date is fixed for the determination of Members entitled to notice of, or to vote at, a meeting of Members or Members entitled to receive payment of a Dividend, the date on which notice of the meeting is sent or the date on which the resolution of the Directors declaring such Dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

#### **CERTIFICATES FOR SHARES**

12 A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates representing Shares, if any, shall be in such form as the Directors may determine. Share certificates shall be signed by one or more Directors or other person authorised by the Directors. The Directors may authorise certificates to be issued with the authorised signature(s) affixed by mechanical process.

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All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. All certificates surrendered to the Company for transfer shall be cancelled and subject to these Articles no new certificate shall be issued until the former certificate representing a like number of relevant Shares shall have been surrendered and cancelled.

13 The Company shall not be bound to issue more than one certificate for Shares held jointly by more than one person and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

14 If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in investigating evidence, as the Directors may prescribe, and (in the case of defacement or wearing out) upon delivery of the old certificate.

#### **TRANSFER OF SHARES**

15 Subject to the restrictions in these Articles and the Shareholders Agreement as may be applicable, Shares are transferable subject to the consent of the Directors who may, in their absolute discretion, decline to register any transfer of Shares without giving any reason. If the Directors refuse to register a transfer they shall notify the transferee within two months of such refusal.

16 The instrument of transfer of any Share shall be in writing and shall be executed by or on behalf of the transferor (and if the Directors so require, signed by the transferee). The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the Register of Members.

#### **REDEMPTION AND REPURCHASE OF SHARES**

17 Subject to the provisions of the Statute the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the Member or the Company. Subject to Article 20 below, the redemption of such Shares shall be effected in such manner as the Company may, by Special Resolution, determine before the issue of the Shares.

18 Subject to the provisions of the Statute, the Company may purchase its own Shares (including any redeemable Shares) provided that the Members shall have approved the manner of purchase by Ordinary Resolution.

19 The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Statute, including out of capital.

20 **Redemption Option of Series A Preferred Shares.**

20.1 **Right to Redemption.** At any time following December 31, 2013 (the "**Redemption Starting Date**"), each holder of Series A Preferred Shares shall

have the right to request the Company to redeem all, but not less than all, of its Series A Preferred Shares and the Company agrees to redeem from such holder of Series A Preferred Shares all, but not less than all, of the Series A Preferred Shares held by such holder of Series A Preferred Shares (the “**Redemption Shares**”) for the Redemption Price (as defined in Article 20.3) as to each such Redemption Share and on the terms and conditions herein set forth (the “**Redemption Event Redemption**”).

- 20.2 **Method of Exercise.** On the terms and conditions herein set forth, following a Redemption Starting Date, any holder of Series A Preferred Share may exercise its rights hereunder to sell all or any part of any of its Redemption Shares by delivering to the Company a notice of Redemption Event Redemption (a “**Notice of Redemption**”) setting forth its desire to exercise the Redemption Event Redemption and the number of Redemption Shares being transferred pursuant to the Redemption Event Redemption.
- 20.3 **Redemption Price.** For the purposes of this Article 20, the “**Redemption Price**” for each Series A Preferred Share shall be equal to the greater of (i) the Series A Original Issue Price plus such amount necessary to provide an internal rate of return of twenty percent (20%) per annum from the Series A Original Issue Date through the Redemption Closing (as defined below) plus all declared and unpaid Dividends payable with respect to such Series A Preferred Shares, and (ii) the fair market value of the Series A Preferred Shares as determined in good faith by an independent appraiser mutually agreeable to the holders of Series A Preferred Shares and the Company without taking into consideration any liquidity or minority ownership discounts. The cost of such appraisal shall be borne by the Company.
- 20.4 **Procedure.** The right of the Series A Holders to require the Company to redeem all or any portion of any of its Redemption Shares shall become exercisable immediately following Redemption Starting Date. The closing (the “**Redemption Closing**”) of the Redemption Event Redemption of any Series A Preferred Shares pursuant to this Article 20 will take place within ninety (90) days of the date of the Notice of Redemption at the offices of the Company, or such other date or other place as the holders of Series A Preferred Shares requesting redemption and the Company may mutually agree in writing. At the Redemption Closing, subject to applicable law, the Company will, from any source of assets or funds legally available therefor, redeem each Series A Preferred Share requested to be redeemed by paying in cash therefor the Redemption Price against surrender by its holder at the Company’s principal office of the certificate representing such share. From and after the Redemption Closing, subject to the holder of each Series A Preferred Share having received the Redemption Price from the Company, all rights of such holder will cease with respect to such Series A Preferred Share. Any Series A Preferred Shares redeemed in accordance with this Article 20 shall be cancelled and the amount of the Company’s issued share capital shall be diminished by the par value of these Series A Preferred Shares

accordingly, but each such redemption shall not be taken as reducing the amount of the Company’s authorized share capital.

- 20.5 **Insufficient Funds.** If the Company’s assets or funds which are legally available on the date that any Redemption Event Redemption payment under this Article 20 is due are insufficient to pay in full all Redemption Event Redemption payments to be paid at the Redemption Closing, or if the Company is otherwise prohibited by applicable law from making such Redemption Event Redemption, those assets or funds which are legally available shall be used to the extent permitted by applicable law to pay all Redemption Event Redemption payments due on such date ratably in proportion to the full amounts to which the holders to which such Redemption Event Redemption payments are due would otherwise be respectively entitled thereon. Thereafter, all assets or funds of the Company that become legally available for the redemption of shares shall immediately be used to pay the Redemption Event Redemption payment which the Company did not pay on the date that such Redemption Event Redemption payments were due. Without limiting any rights of the holders of Series A Preferred Shares which are set forth in these Articles, or are otherwise available under law, the balance of any shares subject to Redemption Event Redemption hereunder with respect to which the Company has become obligated to pay the Redemption Event Redemption payment but which it has not paid in full shall continue to have all the powers, designations, preferences and relative participating, optional, and other special rights (including, without limitation, rights to accrue dividends) which such shares had prior to such date, until the Redemption Event Redemption payment has been paid in full with respect to such shares.

#### **VARIATION OF RIGHTS OF SHARES**

- 21 If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of two-thirds of the issued Shares of that class, or with the sanction of a Special Resolution passed at a general meeting of the holders of the Shares of that class.
- 22 The provisions of these Articles relating to general meetings shall apply to every class meeting of the holders of one class of Shares except that the necessary quorum shall be one person holding or representing by proxy at least one third of the issued Shares of the class and that any holder of Shares of the class present in person or by proxy may demand a poll.
- 23 The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking pari passu therewith.

#### **COMMISSION ON SALE OF SHARES**



24 The Company may, in so far as the Statute permits, pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares of the Company. Such commissions may be satisfied by the payment of cash and/or the issue of fully or partly paid-up Shares. The Company may also on any issue of Shares pay such brokerage as may be lawful.

### **NON RECOGNITION OF TRUSTS**

25 The Company shall not be bound by or compelled to recognise in any way (even when notified) any equitable, contingent, future or partial interest in any Share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any Share other than an absolute right to the entirety thereof in the registered holder.

### **LIEN ON SHARES**

26 The Company shall have a first and paramount lien on all Shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any Share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such Share shall operate as a waiver of the Company's lien thereon. The Company's lien on a Share shall also extend to any amount payable in respect of that Share.

27 The Company may sell, in such manner as the Directors think fit, any Shares on which the Company has a lien, if a sum in respect of which the lien exists is presently payable, and is not paid within fourteen clear days after notice has been given to the holder of the Shares, or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the Shares may be sold.

28 To give effect to any such sale the Directors may authorise any person to execute an instrument of transfer of the Shares sold to, or in accordance with the directions of, the purchaser. The purchaser or his nominee shall be registered as the holder of the Shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the sale or the exercise of the Company's power of sale under these Articles.

29 The net proceeds of such sale after payment of costs, shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable and any residue shall (subject to a like lien for sums not presently payable as existed upon the Shares before the sale) be paid to the person entitled to the Shares at the date of the sale.

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### **CALL ON SHARES**

30 Subject to the terms of the allotment the Directors may from time to time make calls upon the Members in respect of any monies unpaid on their Shares (whether in respect of par value or premium), and each Member shall (subject to receiving at least fourteen days notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on the Shares. A call may be revoked or postponed as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the Shares in respect of which the call was made.

31 A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.

32 The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

33 If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine, but the Directors may waive payment of the interest wholly or in part.

34 An amount payable in respect of a Share on allotment or at any fixed date, whether on account of the par value of the Share or premium or otherwise, shall be deemed to be a call and if it is not paid all the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call.

35 The Directors may issue Shares with different terms as to the amount and times of payment of calls, or the interest to be paid.

36 The Directors may, if they think fit, receive an amount from any Member willing to advance all or any part of the monies uncalled and unpaid upon any Shares held by him, and may (until the amount would otherwise become payable) pay interest at such rate as may be agreed upon between the Directors and the Member paying such amount in advance.

37 No such amount paid in advance of calls shall entitle the Member paying such amount to any portion of a Dividend declared in respect of any period prior to the date upon which such amount would, but for such payment, become payable.

### **FORFEITURE OF SHARES**

38 If a call remains unpaid after it has become due and payable the Directors may give to the person from whom it is due not less than fourteen clear days notice requiring payment of the amount unpaid together with any interest, which may have accrued. The notice shall specify where payment is to be made and shall state that if the notice is not complied with the Shares in respect of which the call was made will be liable to be forfeited.

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39 If the notice is not complied with any Share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all Dividends or other monies declared payable in respect of the forfeited

Share and not paid before the forfeiture.

- 40 A forfeited Share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the Directors think fit. Where for the purposes of its disposal a forfeited Share is to be transferred to any person the Directors may authorise some person to execute an instrument of transfer of the Share in favour of that person.
- 41 A person any of whose Shares have been forfeited shall cease to be a Member in respect of them and shall surrender to the Company for cancellation the certificate for the Shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of those Shares together with interest, but his liability shall cease if and when the Company shall have received payment in full of all monies due and payable by him in respect of those Shares.
- 42 A certificate in writing under the hand of one Director or officer of the Company that a Share has been forfeited on a specified date shall be conclusive evidence of the fact as against all persons claiming to be entitled to the Share. The certificate shall (subject to the execution of an instrument of transfer) constitute a good title to the Share and the person to whom the Share is disposed of shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.
- 43 The provisions of these Articles as to forfeiture shall apply in the case of non payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the par value of the Share or by way of premium as if it had been payable by virtue of a call duly made and notified.

#### **TRANSMISSION OF SHARES**

- 44 If a Member dies the survivor or survivors where he was a joint holder, and his legal personal representatives where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest. The estate of a deceased Member is not thereby released from any liability in respect of any Share, which had been jointly held by him.
- 45 Any person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may from time to time be required by the Directors, elect either to become the holder of the Share or to have some person nominated by him as the transferee. If he elects to become the holder he shall give notice to the Company to that effect, but the Directors shall, in either case, have the same right to decline or

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suspend registration as they would have had in the case of a transfer of the Share by that Member before his death or bankruptcy, as the case may be.

- 46 If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
- 47 A person becoming entitled to a Share by reason of the death or bankruptcy or liquidation or dissolution of the holder (or in any other case than by transfer) shall be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered holder of the Share. However, he shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company and the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the Share. If the notice is not complied with within ninety days the Directors may thereafter withhold payment of all Dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

#### **AMENDMENTS OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND ALTERATION OF CAPITAL**

- 48 Subject to Article 7.5, the Company may by Ordinary Resolution:
- 48.1 increase the share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- 48.2 consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;
- 48.3 by subdivision of its existing Shares or any of them divide the whole or any part of its Share capital into Shares of smaller amount than is fixed by the Memorandum or into Shares without par value; and
- 48.4 cancel any Shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person.
- 49 All new Shares created in accordance with the provisions of the preceding Article shall be subject to the same provisions of the Articles with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the Shares in the original share capital.
- 50 Subject to the provisions of the Statute, the provisions of these Articles as regards the matters to be dealt with by Ordinary Resolution and Article 7.5, the Company may by Special Resolution:
- 50.1 change its name;
- 50.2 alter or add to these Articles;

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- 50.3 alter or add to the Memorandum with respect to any objects, powers or other matters specified therein;
- 50.4 reduce its share capital and any capital redemption reserve fund; and
- 50.5 approve the dissolution or liquidation of any Group Company.

#### **REGISTERED OFFICE**

51 Subject to the provisions of the Statute, the Company may by resolution of the Directors change the location of its Registered Office.

#### **GENERAL MEETINGS**

52 All general meetings other than annual general meetings shall be called extraordinary general meetings.

53 The Company shall, if required by the Statute, in each year hold a general meeting as its annual general meeting, and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as the Directors shall appoint.

54 The Company may hold an annual general meeting, but shall not (unless required by Statute) be obliged to hold an annual general meeting.

55 The Directors may call general meetings, and they shall on a Members requisition forthwith proceed to convene an extraordinary general meeting of the Company.

56 A Members requisition is a requisition of Members of the Company holding at the date of deposit of the requisition not less than ten percent in par value of the capital of the Company as at that date carries the right of voting at general meetings of the Company.

57 The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.

58 If the Directors do not within twenty-one days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further twenty-one days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of the said twenty-one days.

59 A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

#### **NOTICE OF GENERAL MEETINGS**

60 At least ten days' notice shall be given of any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

60.1 in the case of an annual general meeting, by all the Members (or their proxies) entitled to attend and vote thereat; and

60.2 in the case of an extraordinary general meeting, by a majority in number of the Members (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than ninety five percent in par value of the Shares giving that right.

61 The accidental omission to give notice of a general meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings of that meeting.

#### **PROCEEDINGS AT GENERAL MEETINGS**

62 No business shall be transacted at any general meeting unless a quorum is present. Members present in person or by proxy representing not less than fifty percent (50%) of the votes of each class of Shares in issue which are entitled to vote shall be a quorum unless the Company has only one Member entitled to vote at such general meeting in which case the quorum shall be that one Member present in person or by proxy or (in the case of a corporation or other non-natural person) by a duly authorised representative.

63 A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.

64 A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or, being corporations, signed by their duly authorised representatives) shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held.

65 If a quorum is not present within half an hour from the time appointed for the meeting or if during such a meeting a quorum ceases to be present, the meeting, if convened upon the requisition of Members, shall be dissolved and in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day, time or such other place as the Directors may determine, and if at the adjourned

meeting a quorum is not present within half an hour from the time appointed for the meeting the Members present shall be a quorum.

- 66 The chairman, if any, of the Board shall preside as chairman at every general meeting of the Company, or if there is no such chairman, or if he shall not be present within fifteen minutes after the time appointed for the holding of the meeting, or is unwilling to act, the Directors present shall elect one of their number to be chairman of the meeting.
- 67 If no Director is willing to act as chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting, the Members present shall choose one of their Members to be chairman of the meeting.
- 68 The chairman may, with the consent of a meeting at which a quorum is present, (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Otherwise it shall not be necessary to give any such notice.
- 69 At any general meeting, a resolution put to the vote of the meeting shall be decided by the vote of the requisite majority pursuant to a poll of the Members. Unless otherwise required by Statute or these Articles, such requisite majority shall be a simple majority of votes cast.
- 70 Except on the election of a chairman or on a question of adjournment, a poll shall be taken as the chairman directs, and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded.
- 71 A poll on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll on any other question shall be taken at such time as the chairman of the general meeting directs, and any business other than that upon which a poll has been demanded or is contingent thereon may proceed pending the taking of the poll.
- 72 In the case of an equality of votes, the chairman shall be entitled to a second or casting vote.

#### **VOTES OF MEMBERS**

- 73 Subject to any rights or restrictions attached to any Shares, every Member who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorised representative or proxy, shall have one vote for every Share of which he is the holder.
- 74 In the case of joint holders of record the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register of Members.

- 75 A Member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote, by his committee, receiver, curator bonis, or other person on such Member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.
- 76 No person shall be entitled to vote at any general meeting or at any separate meeting of the holders of a class of Shares unless he is registered as a Member on the record date for such meeting nor unless all calls or other monies then payable by him in respect of Shares have been paid.
- 77 No objection shall be raised to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive.
- 78 Votes may be cast either personally or by proxy. A Member may appoint more than one proxy or the same proxy under one or more instruments to attend and vote at a meeting.
- 79 A Member holding more than one Share need not cast the votes in respect of his Shares in the same way on any resolution and therefore may vote a Share or some or all such Shares either for or against a resolution and/or abstain from voting a Share or some or all of the Shares and, subject to the terms of the instrument appointing him, a proxy appointed under one or more instruments may vote a Share or some or all of the Shares in respect of which he is appointed either for or against a resolution and/or abstain from voting.

#### **PROXIES**

- 80 The instrument appointing a proxy shall be in writing, be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation under the hand of an officer or attorney duly authorised for that purpose. A proxy need not be a Member of the Company.
- 81 The instrument appointing a proxy shall be deposited at the Registered Office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company:
- 81.1 not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or

81.2 provided that the Directors may in the notice convening the meeting, or in an instrument of proxy sent out by the Company, direct that the instrument appointing a proxy may be deposited (no later than the time for holding the meeting or adjourned meeting) at the Registered Office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company. The chairman may in any event at his discretion direct that an instrument of proxy shall be deemed to have been

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duly deposited. An instrument of proxy that is not deposited in the manner permitted shall be invalid.

82 The instrument appointing a proxy may be in any usual or common form and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.

83 Votes given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given unless notice in writing of such death, insanity, revocation or transfer was received by the Company at the Registered Office before the commencement of the general meeting, or adjourned meeting at which it is sought to use the proxy.

#### **CORPORATE MEMBERS**

84 Any corporation or other non-natural person which is a Member may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member.

#### **SHARES THAT MAY NOT BE VOTED**

85 Shares in the Company that are beneficially owned by the Company shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding Shares at any given time.

#### **DIRECTORS**

86 There shall be a Board consisting of up to five (5) persons; provided however that the Company may, subject to Article 7.5, from time to time by Special Resolution increase or reduce the size of the Board. All Directors shall be elected by a majority vote of outstanding Ordinary Shares and Series A Preferred Shares (voting together as a single class and on an as-converted basis), provided that:

86.1 so long as Morningside holds three percentage (3%) or more of Company's Shares on an as-converted basis, it shall have the right to elect, remove from the office and replace one (1) Director to the Board (the "**Series A Director**").

86.2 so long as Intel holds three percentage (3%) or more of Company's Shares on an as-converted basis, Intel shall have the right, exercisable at any time at its sole discretion by written notice to the Company, to either (i) "convert" the Intel Observer (as designated and appointed pursuant to the Shareholders Agreement) into one (1) director of the Board (the "**Intel Director**") and appoint another non-

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voting observer, or (ii) not "convert" the Intel Observer and elect one (1) other representative to be director of the Board, in each case provided that the number of the directors of the Board shall then accordingly increase up to seven (7) with the remaining director to be appointed by the Existing Shareholder (as defined in the Shareholders Agreement) .

86.3 The Existing Shareholder (as defined in the Shareholders Agreement) shall be entitled to elect four (4) directors of the Board, two of whom shall be then current senior managements of the Company.

Any vacancy on the Board occurring because of the death, resignation or removal of a Director elected by the holders of any class or series of shares as provided above shall be filled by the vote or written consent of the holders of a majority of the shares of such class or series of shares as provided above.

#### **POWERS OF DIRECTORS**

87 Subject to the provisions of the Statute, the Memorandum and the Articles and to any directions given by Special Resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. A duly convened meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.

88 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall determine by resolution.

89 The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

90 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for

any debt, liability or obligation of the Company or of any third party.

### **APPOINTMENT AND REMOVAL OF DIRECTORS**

- 91 Subject to Article 86, the Company may by Ordinary Resolution appoint any person to be a Director or may by Ordinary Resolution remove any Director.
- 92 Subject to Article 86, the Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the

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number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors.

### **VACATION OF OFFICE OF DIRECTOR**

- 93 The office of a Director shall be vacated if:
- 93.1 he gives notice in writing to the Company that he resigns the office of Director; or
- 93.2 if he absents himself (without being represented by proxy or an alternate Director appointed by him) from three consecutive meetings of the Board without special leave of absence from the Directors, and they pass a resolution that he has by reason of such absence vacated office; or
- 93.3 if he dies, becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- 93.4 if he is found to be or becomes of unsound mind.

### **PROCEEDINGS OF DIRECTORS**

- 94 A Director shall be given not less than three (3) days' notice of meetings of Directors, but a meeting of Directors held without such three (3) days' notice having been given to all Directors shall be valid if all the Directors entitled to vote at the meeting who do not attend waive notice of the meeting, and for this purpose the presence of a Director at a meeting shall constitute waiver by that Director. The fact that a Director has not received the notice does not invalidate the meeting. The Company shall hold at least one (1) board meeting during each fiscal quarter.
- 95 A meeting of Directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one-half of the total number of Directors, including the Series A Director. A person who holds office as an alternate Director shall, if his appointor is not present, be counted in the quorum. A Director who also acts as an alternate Director shall, if his appointor is not present, count twice towards the quorum.
- 96 Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. A Director who is also an alternate Director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.
- 97 A person may participate in a meeting of the Directors or committee of Directors by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other at the same time. Participation by a person in a meeting in this manner is treated as presence in person at that meeting. Unless otherwise determined by the Directors the meeting shall be deemed to be held at the place where the chairman is at the start of the meeting.

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- 98 A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of Directors (an alternate Director being entitled to sign such a resolution on behalf of his appointor) shall be as valid and effectual as if it had been passed at a meeting of the Directors, or committee of Directors as the case may be, duly convened and held.
- 99 A Director or alternate Director may, or other officer of the Company on the requisition of a Director or alternate Director shall, call a meeting of the Directors by at least two days' notice in writing to every Director and alternate Director which notice shall set forth the general nature of the business to be considered unless notice is waived by all the Directors (or their alternates) either at, before or after the meeting is held.
- 100 The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose.
- 101 The Directors may elect a chairman of their board and determine the period for which he is to hold office; but if no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.
- 102 All acts done by any meeting of the Directors or of a committee of Directors (including any person acting as an alternate Director) shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or alternate Director, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and qualified to be a Director or alternate Director as the case may be.

103 A Director but not an alternate Director may be represented at any meetings of the Board by a proxy appointed in writing by him. The proxy shall count towards the quorum and the vote of the proxy shall for all purposes be deemed to be that of the appointing Director.

#### **PRESUMPTION OF ASSENT**

104 A Director of the Company who is present at a meeting of the Board at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

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#### **DIRECTORS' INTERESTS**

105 A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.

106 A Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or alternate Director.

107 A Director or alternate Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.

108 No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. A Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is interested provided that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.

109 A general notice that a Director or alternate Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for the purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

#### **MINUTES**

110 The Directors shall cause minutes to be made in books kept for the purpose of all appointments of officers made by the Directors, all proceedings at meetings of the Company or the holders of any class of Shares and of the Directors, and of committees of Directors including the names of the Directors or alternate Directors present at each meeting.

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#### **DELEGATION OF DIRECTORS' POWERS**

111 The Directors may delegate any of their powers to any committee consisting of one or more Directors. They may also delegate to any managing director or any Director holding any other executive office such of their powers as they consider desirable to be exercised by him provided that an alternate Director may not act as managing director and the appointment of a managing director shall be revoked forthwith if he ceases to be a Director. Any such delegation may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee of Directors shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying.

112 The Directors may establish any committees, local boards or agencies or appoint any person to be a manager or agent for managing the affairs of the Company and may appoint any person to be a member of such committees or local boards. Any such appointment may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject to any such conditions, the proceedings of any such committee, local board or agency shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying.

113 The Directors may by power of attorney or otherwise appoint any person to be the agent of the Company on such conditions as the Directors may determine, provided that the delegation is not to the exclusion of their own powers and may be revoked by the Directors at any time.

114 The Directors may by power of attorney or otherwise appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or authorised signatory of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorneys or authorised signatories as the Directors may think fit and may also authorise any such attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in him.

115 The Directors may appoint such officers as they consider necessary on such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors may think fit. Unless otherwise specified in the terms of his appointment an officer may be removed by resolution of the Directors or Members.

#### **ALTERNATE DIRECTORS**

116 Any Director (other than an alternate Director) may by writing appoint any other Director, or any other person willing to act, to be an alternate Director and by writing may remove from office an alternate Director so appointed by him.

117 An alternate Director shall be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which his appointor is a member, to attend and vote at every such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in his absence.

118 An alternate Director shall cease to be an alternate Director if his appointor ceases to be a Director.

119 Any appointment or removal of an alternate Director shall be by notice to the Company signed by the Director making or revoking the appointment or in any other manner approved by the Directors.

120 An alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and shall not be deemed to be the agent of the Director appointing him.

#### **NO MINIMUM SHAREHOLDING**

121 A Director is not required to hold Shares.

#### **REMUNERATION OF DIRECTORS**

122 The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

123 The Directors may by resolution approve additional remuneration to any Director for any services other than his ordinary routine work as a Director. Any fees paid to a Director who is also counsel or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to his remuneration as a Director.

#### **SEAL**

124 The Company may, if the Directors so determine, have a Seal. The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors. Every instrument to which the Seal has been affixed shall be signed by at least

one person who shall be either a Director or some officer or other person appointed by the Directors for the purpose.

125 The Company may have for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.

126 A Director or officer, representative or attorney of the Company may without further authority of the Directors affix the Seal over his signature alone to any document of the Company required to be authenticated by him under seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

#### **DIVIDENDS, DISTRIBUTIONS AND RESERVE**

127 Subject to the Statute and this Article, the Directors may declare Dividends and distributions on Shares in issue and authorise payment of the Dividends or distributions out of the funds of the Company lawfully available therefor. No Dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account or as otherwise permitted by the Statute.

128 Except as otherwise provided by the rights attached to Shares, all Dividends shall be declared and paid according to the par value of the Shares that a Member holds. If any Share is issued on terms providing that it shall rank for Dividend as from a particular date, that Share shall rank for Dividend accordingly.

129 The Directors may deduct from any Dividend or distribution payable to any Member all sums of money (if any) then payable by him to the Company on account of calls or otherwise.

130 The Directors may declare that any Dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional Shares and fix the value for distribution of such specific



assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.

- 131 Any Dividend, distribution, interest or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the Register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any Dividends, bonuses, or other monies payable in respect of the Share held by them as joint holders.

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- 132 No Dividend or distribution shall bear interest against the Company.

- 133 Any Dividend which cannot be paid to a Member and/or which remains unclaimed after six months from the date of declaration of such Dividend may, in the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the Dividend shall remain as a debt due to the Member. Any Dividend which remains unclaimed after a period of six years from the date of declaration of such Dividend shall be forfeited and shall revert to the Company.

#### **CAPITALISATION**

- 134 The Directors may capitalise any sum standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of Dividend and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalisation, with full power to the Directors to make such provisions as they think fit for the case of Shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

#### **BOOKS OF ACCOUNT**

- 135 The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.
- 136 The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company in general meeting.
- 137 The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

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#### **AUDIT**

- 138 The Directors may appoint an Auditor of the Company who shall hold office until removed from office by a resolution of the Directors, and may fix his or their remuneration.
- 139 Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the Auditor.
- 140 Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an ordinary company, and at the next extraordinary general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an exempted company, and at any other time during their term of office, upon request of the Directors or any general meeting of the Members.

#### **NOTICES**

- 141 Notices shall be in writing and may be given by the Company to any Member either personally or by sending it by courier, post, cable, telex, fax or e-mail to him or to his address as shown in the Register of Members (or where the notice is given by e-mail by sending it to the e-mail address provided by such Member). Any notice, if posted from one country to another, is to be sent airmail.
- 142 Where a notice is sent by courier, service of the notice shall be deemed to be effected by delivery of the notice to a courier company, and shall be deemed to have been received on the third day (not including Saturdays or Sundays or public holidays) following the day on which the notice was delivered to the courier. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre paying and posting a letter containing the notice, and shall be deemed to have been received on the fifth day (not including Saturdays or Sundays or public holidays) following the day on which the notice was posted. Where a notice is sent by cable, telex or fax, service of the notice shall be deemed to be

effected by properly addressing and sending such notice and shall be deemed to have been received on the same day that it was transmitted. Where a notice is given by e-mail service shall be deemed to be effected by transmitting the e-mail to the e-mail address provided by the intended recipient and shall be deemed to have been received on the same day that it was sent, and it shall not be necessary for the receipt of the e-mail to be acknowledged by the recipient.

- 143 A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member in the same manner as other notices which are required to be given under these Articles and shall be addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied

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for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

- 144 Notice of every general meeting shall be given in any manner hereinbefore authorised to every person shown as a Member in the Register of Members on the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the Register of Members and every person upon whom the ownership of a Share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of record but for his death or bankruptcy would be entitled to receive notice of the meeting, and no other person shall be entitled to receive notices of general meetings.

#### **WINDING UP**

- 145 Subject to Article 7.2, if the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.
- 146 Subject to Article 7.2, if the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

#### **INDEMNITY**

- 147 To the maximum extent permitted by applicable law, every Director, agent or officer of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall be indemnified out of the assets of the Company against any liability, actions, proceedings, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain as a result of any act or failure to act in carrying out his functions, other than such liability (if any) that he may incur by his own fraud, willful neglect or willful default, and no such Director or officer or trustee shall be answerable

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for the acts, receipts, neglects or defaults of any other Director or officer or trustee or for joining in any receipt for the sake of conformity or for the solvency or honesty of any banker or other persons with whom any monies or effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency of any security upon which any monies of the Company may be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office or trust unless the same shall happen through the willful neglect or willful default of such Director or officer or trustee. No such Director, agent or officer shall be liable to the Company for any loss or damage in carrying out his functions unless that liability arises through the fraud, willful neglect or willful default of such Director, agent or officer.

To the maximum extent permitted by applicable law, the Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall not be personally liable to the Company or its Members for monetary damages for breach of their duty in their respective offices, except such (if any) as they shall incur or sustain by or through their own willful neglect or willful default respectively.

#### **FINANCIAL YEAR**

- 148 Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31st December in each year and, following the year of incorporation, shall begin on 1st January in each year.

#### **TRANSFER BY WAY OF CONTINUATION**

- 149 If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.



**THE COMPANIES LAW  
EXEMPTED COMPANY LIMITED BY SHARES  
AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION  
OF  
PHOENIX NEW MEDIA LIMITED ██████████**

**(Adopted by special resolution of members passed on April , 2011 and effective immediately prior to the closing of the Company's initial public offering of Class A Ordinary Shares represented by American depository shares on ██████████ , 2011)**

1. The name of the Company is **Phoenix New Media Limited** ██████████
2. The Registered Office of the Company shall be at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
3. Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted.
4. Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of The Companies Law.
5. Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.
6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.
8. The share capital of the Company is US\$10,000,000 divided into 1,000,000,000 shares of a nominal or par value of US\$0.01 each, of which 680,000,000 shall be designated as Class A Ordinary Shares and 320,000,000 shall be designated as Class B Ordinary Shares.
9. The Company may exercise the power contained in the Companies Law to deregister in the Cayman Islands and be registered by way of continuation in another jurisdiction.

The Companies Law (Revised)  
Company Limited by Shares

**THE SECOND AMENDED AND RESTATED  
ARTICLES OF ASSOCIATION**

OF

**PHOENIX NEW MEDIA LIMITED**

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(Adopted by way of a special resolution passed on April 2011 and effective immediately prior to the closing of the Company's initial public offering of Class A Ordinary Shares represented by American depository shares of the Company on ██████████ 2011)

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## INTERPRETATION

### TABLE A

1. The regulations in Table A in the Schedule to the Companies Law (Revised) do not apply to the Company.

## INTERPRETATION

2. (1) In these Articles, unless the context otherwise requires, the words standing in the first column of the following table shall bear the meaning set opposite them respectively in the second column.

<u>WORD</u>	<u>MEANING</u>
“ADS”	an American depository share, each representing a certain number of Class A Ordinary Shares, which is listed on the Designated Stock Exchange.
“Audit Committee”	the audit committee of the Company formed by the Board pursuant to Article 124) hereof, or any successor audit committee.
“Auditor”	the independent auditor of the Company which shall be an internationally recognized firm of independent accountants.
“Articles”	these Articles in their present form or as supplemented or amended or substituted from time to time.

“Board” or “Directors”	the board of directors of the Company or the directors present at a meeting of directors of the Company at which a quorum is present.
“capital”	the share capital from time to time of the Company.
“Class A Ordinary Shares”	class A ordinary shares of par value US\$0.01 each of the Company having the rights set out in these Articles.
“Class B Ordinary Shares”	class B ordinary shares of par value US\$0.01 each of the Company having the rights set out in these Articles.
“clear days”	in relation to the period of a notice, that period excluding the day when the notice is given or deemed

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	to be given and the day for which it is given or on which it is to take effect.
“clearing house”	a clearing house recognised by the laws of the jurisdiction in which the shares of the Company (or depositary receipts therefor) are listed or quoted on a stock exchange or interdealer quotation system in such jurisdiction.
“Company”	Phoenix New Media Limited 0000000000
“competent regulatory authority”	a competent regulatory authority in the territory where the shares of the Company (or depositary receipts therefor) are listed or quoted on a stock exchange or interdealer quotation system in such territory.
“Conversion Date”	in respect of a Conversion Notice means the day on which that Conversion Notice is delivered.
“Conversion Notice”	a written notice delivered to the Company at its Office (and as otherwise stated therein) stating that a holder of Class B Ordinary Shares elects to convert the number of Class B Ordinary Shares specified therein pursuant to Article 9.
“Conversion Number”	in relation to any Class B Ordinary Shares, such number of Class A Ordinary Shares as may, upon exercise of the Conversion Right, be issued at the Conversion Rate in force on the relevant Conversion Date.
“Conversion Rate”	means, at any time, on a 1 : 1 basis, subject to adjustment in accordance with Article 9(b).
“Conversion Right”	in respect of a Class B Ordinary Share means the right of its holder, subject to the provisions of the Articles and to any applicable fiscal or other laws or regulations including the Law, to convert all or any of its Class B Ordinary Shares, into the Conversion Number of Class A Ordinary Shares.
“debenture” and “debenture holder”	include debenture stock and debenture stockholder respectively.

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“Designated Stock Exchange”	the New York Stock Exchange
“dollars” and “\$”	dollars, the legal currency of the United States of America.
“Exchange Act”	the Securities Exchange Act of 1934, as amended.
“head office”	such office of the Company as the Directors may from time to time determine to be the principal office of the Company.
“Law”	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.
“Member”	a duly registered holder from time to time of the shares in the capital of the Company.
“month”	a calendar month.
“Notice”	written notice unless otherwise specifically stated and as further defined in these Articles.
“Office”	the registered office of the Company for the time being.
“ordinary resolution”	a resolution shall be an ordinary resolution when it has been passed by a simple majority of

	votes cast by such Members as, being entitled so to do, vote in person or, in the case of any Member being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which not less than ten (10) clear days' Notice has been duly given.
“Ordinary Shares”	Class A Ordinary Shares and Class B Ordinary Shares collectively.
“paid up”	paid up or credited as paid up.
“Register”	the principal register and where applicable, any branch register of Members of the Company to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time.
“Registration Office”	in respect of any class of share capital such place as the Board may from time to time determine to keep a

	branch register of Members in respect of that class of share capital and where (except in cases where the Board otherwise directs) the transfers or other documents of title for such class of share capital are to be lodged for registration and are to be registered.
“SEC”	the United States Securities and Exchange Commission.
“Seal”	common seal or any one or more duplicate seals of the Company (including a securities seal) for use in the Cayman Islands or in any place outside the Cayman Islands.
“Secretary”	any person, firm or corporation appointed by the Board to perform any of the duties of secretary of the Company and includes any assistant, deputy, temporary or acting secretary.
“special resolution”	a resolution shall be a special resolution when it has been passed by a majority of not less than two-thirds of votes cast by such Members as, being entitled so to do, vote in person or, in the case of such Members as are corporations, by their respective duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which not less than ten (10) clear days' Notice, specifying (without prejudice to the power contained in these Articles to amend the same) the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the Members having the right to attend and vote at any such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and in the case of an annual general meeting, if it is so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than ten (10) clear days' Notice has been given;
	a special resolution shall be effective for any purpose for which an ordinary resolution is expressed to be required under any provision of these Articles or the Statutes.

“Statutes”	the Law and every other law of the Legislature of the Cayman Islands for the time being in force applying to or affecting the Company, its Memorandum of Association and/or these Articles.
“year”	a calendar year.

- (2) In these Articles, unless there be something within the subject or context inconsistent with such construction:
- (a) words importing the singular include the plural and vice versa;
  - (b) words importing a gender include both gender and the neuter;
  - (c) words importing persons include companies, associations and bodies of persons whether corporate or not;
  - (d) the words:
    - (i) “may” shall be construed as permissive;
    - (ii) “shall” or “will” shall be construed as imperative;
  - (e) expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words or figures in a visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Member’s election comply with all applicable Statutes, rules and regulations;

- (f) references to any law, ordinance, statute or statutory provision shall be interpreted as relating to any statutory modification or re-enactment thereof for the time being in force;
- (g) save as aforesaid words and expressions defined in the Statutes shall bear the same meanings in these Articles if not inconsistent with the subject in the context;
- (h) references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not;

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- (i) Section 8 of the Electronic Transactions Law (2003) of the Cayman Islands, as amended from time to time, shall not apply to these Articles to the extent it imposes obligations or requirements in addition to those set out in these Articles.

#### SHARE CAPITAL

3. (1) The share capital of the Company at the date on which these Articles come into effect shall be divided into shares of a par value of US\$0.01 each, which shall be designated as Class A Ordinary Shares and Class B Ordinary Shares.

(2) Subject to the Law, the Company's Memorandum and Articles of Association and, where applicable, the rules of the Designated Stock Exchange and/or any competent regulatory authority, any power of the Company to purchase or otherwise acquire its own shares shall be exercisable by the Board in such manner, upon such terms and subject to such conditions as it thinks fit.

- (3) No share shall be issued to bearer.

#### ALTERATION OF CAPITAL

4. (1) Subject to the provisions of Article 4(2), the Company may from time to time by ordinary resolution in accordance with the Law alter the conditions of its Memorandum of Association to:

- (a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- (b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (c) without prejudice to the powers of the Board under Article 12, divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that, for the avoidance of doubt, where a class of shares has been authorized by the Company no resolution of the Company in general meeting is required for the issuance of shares of that class and the Directors may issue shares of that class and determine such rights, privileges, conditions or restrictions attaching thereto as aforesaid, and further provided that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares ;

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- (d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the Law), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;
- (e) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled or, in the case of shares, without par value, diminish the number of shares into which its capital is divided.

(2) No alteration may be made of the kind contemplated by Article 4(1), or otherwise, to the par value of the Class A Ordinary Shares or the Class B Ordinary Shares unless an identical alteration is made to the par value of the Class B Ordinary Shares or the Class A Ordinary Shares, as the case may be.

5. The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division under the last preceding Article and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Members who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

6. The Company may from time to time by special resolution, subject to any confirmation or consent required by the Law, reduce its share capital or any capital redemption reserve in any manner permitted by law.

7. Except so far as otherwise provided by the conditions of issue, or by these Articles, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in these Articles with reference



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SHARE RIGHTS

8. (1) Subject to the provisions of the Law, the rules of the Designated Stock Exchange and the Memorandum and Articles of Association and to any special rights conferred on the holders of any shares or class of shares, and without prejudice to Article 12 hereof, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Board may determine, including without limitation on terms that they may be, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.

(2) Subject to the Law, any preferred shares may be issued or converted into shares that, at a determinable date or at the option of the Company or the holder if so authorised by its Memorandum of Association, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution of the Members determine. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Board, either generally or with regard to specific purchases. If purchases are by tender, tenders shall comply with applicable laws.

9. Subject to Article 8(1), the Memorandum of Association and any resolution of the Members to the contrary and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares, the share capital of the Company shall be divided into shares of two classes, Class A Ordinary Shares and Class B Ordinary Shares. The Class A Ordinary Shares and Class B Ordinary Shares shall carry equal rights and rank *pari passu* with one another other than as set out below.

(a) *As regards conversion*

- (i) Subject to the provisions hereof and to compliance with all fiscal and other laws and regulations applicable thereto, including the Law, a holder of Class B Ordinary Shares shall have the Conversion Right in respect of each Class B Ordinary Share. For the avoidance of doubt, a holder of Class A Ordinary Shares shall have no rights on conversion in respect of each such Class A Ordinary Share.
- (ii) Each Class B Ordinary Share shall be converted at the option of the holder, at any time after issue and without the payment of any additional sum, into such number of fully paid Class A Ordinary Shares calculated at the Conversion Rate then in effect. Such conversion shall take effect on the Conversion Date. A Conversion Notice shall not be effective if it is not accompanied by the share certificates in respect of the relevant Class B Ordinary Shares and such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right (or, if such certificates have been lost or destroyed, such evidence of title and such indemnity as the Directors may reasonably require). Any and all taxes

and stamp, issue and registration duties (if any) arising on conversion shall be borne by the Company.

- (iii) To the extent the Conversion Rate is one Class A Ordinary Share for one Class B Ordinary Share, on the Conversion Date every Class B Ordinary Share shall automatically be re-designated and re-classified as a Class A Ordinary Share with such rights and restrictions attached to and shall rank *pari passu* in all respects with the Class A Ordinary Shares then in issue.
- (iv) If the Conversion Rate is not on a one for one basis, the conversion shall take effect in such manner permitted by law (including, without limitation, by way of repurchase set out in Section 37 of the Companies Law Cap. 22 of the Cayman Islands) as any one Director considers appropriate without the further authorization of the Board and any one Director shall have all such power and take all actions necessary to give effect to the conversion.
- (v) On the Conversion Date, the Company shall allot and issue the relevant Class A Ordinary Shares to the converting Shareholder, enter or procure the entry of the name of the relevant holder of Class B Ordinary Shares as the holder of the relevant number of Class A Ordinary Shares resulting from the conversion of the Class B Ordinary Shares in, and make any other necessary and consequential changes to, the Register of Members and shall procure that certificates in respect of the relevant Class A Ordinary Shares, together with a new certificate for any unconverted Class B Ordinary Shares comprised in the certificate(s) surrendered by the holder of the Class B Ordinary Shares, are issued to the holders of the Class A Ordinary Shares and Class B Ordinary Shares, as the case may be.
- (vi) Until such time as the Class B Ordinary Shares have been converted into Class A Ordinary Shares the Company shall:
  - (1) at all times keep available for issue and free of all liens, charges, options, mortgages, pledges, claims, equities, encumbrances and other third-party rights of any nature, and not subject to any pre-emptive rights out of its authorized but unissued share capital, such number of authorized but unissued Class A Ordinary Shares as would enable all Class B Ordinary Shares to be converted into Class A Ordinary Shares and any other rights of conversion into, subscription for or exchange into Class A Ordinary Shares to be satisfied in full;
  - (2) maintain such amounts standing to the credit of its share premium and share capital accounts as to permit the conversion of the Class

B Ordinary Shares into Class A Ordinary Shares by way of repurchase pursuant to Section 37 of the Companies Law Cap. 22 of the Cayman Islands; and

- (3) not make any issue, grant or distribution or take any other action if the effect would be that on the conversion of the Class B Ordinary Shares to Class A Ordinary Shares it would be required to issue Class A Ordinary Shares at a price lower than the par value thereof.

(b) *Adjustments of Conversion Rate and/or Conversion Price*

- (i) Subject as herein provided, the Conversion Rate shall from time to time be adjusted in accordance with the following relevant provisions.
- (ii) If and whenever a Class A Ordinary Share by reason of any consolidation or sub-division becomes of a different par value, the Conversion Rate in force immediately prior thereto shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value. Within 2 Business Days of any such adjustment the Company will send to the holder of Class B Ordinary Shares a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Rate in effect prior to such adjustment, the adjusted Conversion Rate on the effective date of the adjustment. Each such adjustment shall be effective from the close of business in Hong Kong on the day preceding the date on which the consolidation or sub-division becomes effective.

(c) *As regards Voting Rights*

At all times each Class B Ordinary Shares shall carry the right to 1.3 votes per Class B Ordinary Shares at a meeting of the Members.

(d) *As regards Transfers*

The Class B Ordinary Shares may not be assigned or transferred in whole or in part, other than to any Person which is an Affiliate of the holder of such Class B Ordinary Shares (an "Exempted Transfer"). Class B Ordinary Shares must be converted into Class A Ordinary Shares prior to any such assignment or transfer, other than an Exempted Transfer.

#### VARIATION OF RIGHTS

10. Subject to the Law and without prejudice to Article 8, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated with the sanction of a

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special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of these Articles relating to general meetings of the Company shall, mutatis mutandis, apply, but so that:

- (a) the necessary quorum (whether at a separate general meeting or at its adjourned meeting) shall be a person or persons (or in the case of a Member being a corporation, its duly authorized representative) together holding or representing by proxy not less than one-third in nominal value of the issued shares of that class;
- (b) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him; and
- (c) any holder of shares of the class present in person or by proxy or authorised representative may demand a poll.

11. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking pari passu therewith.

#### SHARES

12. (1) Subject to the Law, these Articles (including without limitation Article 12(4)) and, where applicable, the rules of the Designated Stock Exchange and any other stock exchange(s) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount. In particular and without prejudice to the generality of the foregoing, the Board is hereby empowered to authorize by resolution or resolutions from time to time the issuance of one or more classes or series of preferred shares and to fix the designations, powers, preferences and relative, participating, optional and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, the number of shares constituting each such class or series, dividend rights, conversion rights, redemption privileges, voting powers, full or limited or no voting powers, and liquidation preferences, and to increase or decrease the size of any such class or series (but not below the number of shares of any class or series of preferred shares then outstanding) to the extent permitted by Law, these Articles and, where applicable, the rules of the Designated Stock Exchange and any other stock exchange(s). Without limiting the generality of the foregoing, the resolution or resolutions providing for the establishment of any class or series of preferred shares may, to the extent permitted by law, provide that such class or series shall be superior to, rank equally with or be junior to the preferred shares of any other class or series.

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(2) Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to Members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever. Except as otherwise expressly provided in the resolution or resolutions providing for the establishment of any class or series of preferred shares, no vote of the holders of preferred shares or of ordinary shares shall be a prerequisite to the issuance of any shares of any class or series of the preferred shares authorized by and complying with the conditions of the Memorandum and Articles of Association.

(3) Subject to the provisions of Article 12(4), the Board may issue options, warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

(4) The Company shall not issue any Class B Ordinary Shares, or any options, warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any Class B Ordinary Shares.

13. The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Law. Subject to the Law, the commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one and partly in the other.

14. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as otherwise provided by these Articles or by law) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

15. Subject to the Law and these Articles, the Board may at any time after the allotment of shares but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.

#### SHARE CERTIFICATES

16. Every share certificate shall be issued under the Seal or a facsimile thereof and shall specify the number and class and distinguishing numbers (if any) of the shares to which

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it relates, and the amount paid up thereon and may otherwise be in such form as the Directors may from time to time determine. No certificate shall be issued representing shares of more than one class. The Board may by resolution determine, either generally or in any particular case or cases, that any signatures on any such certificates (or certificates in respect of other securities) need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon.

17. (1) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to one of several joint holders shall be sufficient delivery to all such holders.

(2) Where a share stands in the names of two or more persons, the person first named in the Register shall as regards service of notices and, subject to the provisions of these Articles, all or any other matters connected with the Company, except the transfer of the shares, be deemed the sole holder thereof.

18. Every person whose name is entered, upon an allotment of shares, as a Member in the Register shall be entitled, without payment, to receive one certificate for all such shares of any one class or several certificates each for one or more of such shares of such class upon payment for every certificate after the first of such reasonable out-of-pocket expenses as the Board from time to time determines.

19. Share certificates shall be issued within the relevant time limit as prescribed by the Law or as the Designated Stock Exchange may from time to time determine, whichever is the shorter, after allotment or, except in the case of a transfer which the Company is for the time being entitled to refuse to register and does not register, after lodgment of a transfer with the Company.

20. (1) Upon every transfer of shares the certificate held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and a new certificate shall be issued to the transferee in respect of the shares transferred to him at such fee as is provided in paragraph (2) of this Article. If any of the shares included in the certificate so given up shall be retained by the transferor a new certificate for the balance shall be issued to him at the aforesaid fee payable by the transferor to the Company in respect thereof.

(2) The fee referred to in paragraph (1) above shall be an amount not exceeding the relevant maximum amount as the Designated Stock Exchange may from time to time determine provided that the Board may at any time determine a lower amount for such fee.

21. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed a new certificate representing the same shares may be issued to the relevant Member upon request and on payment of such fee as the Company may determine and, subject to compliance with such terms (if any) as to evidence and indemnity and to payment of the costs and reasonable out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of damage or defacement, on delivery of the old certificate to the Company provided always

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that where share warrants have been issued, no new share warrant shall be issued to replace one that has been lost unless the Board has determined that the original has been destroyed.

#### LIEN

22. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share. The Company shall also have a first and paramount lien on every share (not being a fully paid share) registered in the name of a Member (whether or not jointly with other Members) for all amounts of money presently payable by such Member or his estate to the Company whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person other than such member, and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Member or his estate and any other person, whether a Member of the Company or not. The Company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof. The Board may at any time, generally or in any particular case, waive any lien that has arisen or declare any share exempt in whole or in part, from the provisions of this Article.

23. Subject to these Articles, the Company may sell in such manner as the Board determines any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged nor until the expiration of fourteen (14) clear days after a notice in writing, stating and demanding payment of the sum presently payable, or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving notice of the intention to sell in default, has been served on the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

24. The net proceeds of the sale shall be received by the Company and applied in or towards payment or discharge of the debt or liability in respect of which the lien exists, so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the person entitled to the share at the time of the sale. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares so transferred and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

#### CALLS ON SHARES

25. Subject to these Articles and to the terms of allotment, the Board may from time to time make calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium), and each

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Member shall (subject to being given at least fourteen (14) clear days' Notice specifying the time and place of payment) pay to the Company as required by such notice the amount called on his shares. A call may be extended, postponed or revoked in whole or in part as the Board determines but no member shall be entitled to any such extension, postponement or revocation except as a matter of grace and favour.

26. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be made payable either in one lump sum or by instalments.

27. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect thereof or other moneys due in respect thereof.

28. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board may determine, but the Board may in its absolute discretion waive payment of such interest wholly or in part.

29. No Member shall be entitled to receive any dividend or bonus or to be present and vote (save as proxy for another Member) at any general meeting either personally or by proxy, or be reckoned in a quorum, or exercise any other privilege as a Member until all calls or instalments due by him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid.

30. On the trial or hearing of any action or other proceedings for the recovery of any money due for any call, it shall be sufficient to prove that the name of the Member sued is entered in the Register as the holder, or one of the holders, of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Member sued, in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

31. Any amount payable in respect of a share upon allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call duly made and payable on the date fixed for payment and if it is not paid the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call duly made and notified.

32. On the issue of shares the Board may differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

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33. The Board may, if it thinks fit, receive from any Member willing to advance the same, and either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him and upon all or any of the moneys so advanced (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide. The Board may at any time repay the amount so advanced upon giving to such Member not less than one month's Notice of its intention in that behalf, unless before the expiration of such notice the amount

so advanced shall have been called up on the shares in respect of which it was advanced. Such payment in advance shall not entitle the holder of such share or shares to participate in respect thereof in a dividend subsequently declared.

#### FORFEITURE OF SHARES

34. (1) If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen (14) clear days' Notice:

- (a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment; and
- (b) stating that if the Notice is not complied with the shares on which the call was made will be liable to be forfeited.

(2) If the requirements of any such Notice are not complied with, any share in respect of which such Notice has been given may at any time thereafter, before payment of all calls and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect, and such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share but not actually paid before the forfeiture.

35. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such Notice.

36. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, references in these Articles to forfeiture will include surrender.

37. Any share so forfeited shall be deemed the property of the Company and may be sold, re-allotted or otherwise disposed of to such person, upon such terms and in such manner as the Board determines, and at any time before a sale, re-allotment or disposition the forfeiture may be annulled by the Board on such terms as the Board determines.

38. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares but nevertheless shall remain liable to pay the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares, with (if the Directors shall in their discretion so require) interest thereon

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from the date of forfeiture until payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board determines. The Board may enforce payment thereof if it thinks fit, and without any deduction or allowance for the value of the forfeited shares, at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. For the purposes of this Article any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the share or by way of premium, shall notwithstanding that time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.

39. A declaration by a Director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by the Company if necessary) constitute a good title to the share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

40. Notwithstanding any such forfeiture as aforesaid the Board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

41. The forfeiture of a share shall not prejudice the right of the Company to any call already made or instalment payable thereon.

42. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

#### REGISTER OF MEMBERS

43. (1) The Company shall keep in one or more books a Register of its Members and shall enter therein the following particulars, that is to say:

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- (a) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;
- (b) the date on which each person was entered in the Register; and
- (c) the date on which any person ceased to be a Member.

(2) The Company may keep an overseas or local or other branch register of Members resident in any place, and the Board may make and vary such regulations as it determines in respect of the keeping of any such register and maintaining a Registration Office in connection therewith.

44. The Register and branch register of Members, as the case may be, shall be open to inspection for such times and on such days as the Board shall determine by Members without charge or by any other person, upon a maximum payment of \$2.50 or such other sum specified by the Board, at the Office or Registration Office or such other place at which the Register is kept in accordance with the Law. The Register including any overseas or local or other branch register of Members may, after compliance with any notice requirement of the Designated Stock Exchange, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.

#### RECORD DATES

45. For the purpose of determining the Members entitled to notice of or to vote at any general meeting, or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of shares or for the purpose of any other lawful action, the Board may fix, in advance, a date as the record date for any such determination of Members, which date shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other such action.

If the Board does not fix a record date for any general meeting, the record date for determining the Members entitled to a notice of or to vote at such meeting shall be at the close of business on the day next preceding the day on which notice is given, or, if in accordance with these Articles notice is waived, at the close of business on the day next preceding the day on which the meeting is held. If corporate action without a general meeting is to be taken, the record date for determining the Members entitled to express consent to such corporate action in writing, when no prior action by the Board is necessary, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company by delivery to its head office. The record date for determining the Members for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

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A determination of the Members of record entitled to notice of or to vote at a meeting of the Members shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

#### TRANSFER OF SHARES

46. Subject to these Articles, including, without limitation, in the case of Class B Ordinary Shares, Article 9(d), any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the Board and may be under hand or, if the transferor or transferee is a clearing house or a central depository house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

47. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. Without prejudice to the last preceding Article, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

48. (1) The Board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien.

(2) The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the Register to any branch register or any share on any branch register to the Register or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.

(3) Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the

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relevant Registration Office, and, in the case of any shares on the Register, at the Office or such other place at which the Register is kept in accordance with the Law.

49. Without limiting the generality of the last preceding Article, the Board may decline to recognise any instrument of transfer if any of the following conditions are not met:-

- (a) a fee of such maximum sum as the Designated Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof;
- (b) the instrument of transfer is in respect of only one class of share;

- (c) the instrument of transfer is lodged at the Office or such other place at which the Register is kept in accordance with the Law or the Registration Office (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- (d) if applicable, the instrument of transfer is duly and properly stamped.

50. If the Board refuses to register a transfer of any share, it shall, within three months after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal.

51. The registration of transfers of shares or of any class of shares may, after compliance with any notice requirement of the Designated Stock Exchange, be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine.

#### TRANSMISSION OF SHARES

52. If a Member dies, the survivor or survivors where the deceased was a joint holder, and his legal personal representatives where he was a sole or only surviving holder, will be the only persons recognised by the Company as having any title to his interest in the shares; but nothing in this Article will release the estate of a deceased Member (whether sole or joint) from any liability in respect of any share which had been solely or jointly held by him.

53. Any person becoming entitled to a share in consequence of the death or bankruptcy or winding-up of a Member may, upon such evidence as to his title being produced as may be required by the Board, elect either to become the holder of the share or to have some person nominated by him registered as the transferee thereof. If he elects to become the holder he shall notify the Company in writing either at the Registration Office or Office, as the case may be, to that effect. If he elects to have another person registered he shall

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execute a transfer of the share in favour of that person. The provisions of these Articles relating to the transfer and registration of transfers of shares shall apply to such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by such Member.

54. A person becoming entitled to a share by reason of the death or bankruptcy or winding-up of a Member shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share. However, the Board may, if it thinks fit, withhold the payment of any dividend payable or other advantages in respect of such share until such person shall become the registered holder of the share or shall have effectually transferred such share, but, subject to the requirements of Article 75(2) being met, such a person may vote at meetings.

#### UNTRACEABLE MEMBERS

55. (1) Without prejudice to the rights of the Company under paragraph (2) of this Article, the Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

(2) The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless:

- (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles of the Company have remained uncashed;
- (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and
- (c) the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers to be made in accordance with the requirements of, the Designated Stock Exchange of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the "relevant period" means the period commencing twelve (12) years before the date of publication of the advertisement referred to

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in paragraph (c) of this Article and ending at the expiry of the period referred to in that paragraph.

(3) To give effect to any such sale the Board may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds

which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall be valid and effective notwithstanding that the Member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

#### GENERAL MEETINGS

56. An annual general meeting of the Company shall be held in each year other than the year in which these Articles were adopted at such time and place as may be determined by the Board.
57. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.
58. Only a majority of the Board may call extraordinary general meetings, which extraordinary general meetings shall be held at such times and locations (as permitted hereby) as such person or persons shall determine. The agenda of any extraordinary general meeting shall be set by a majority of the Directors then in office .

#### NOTICE OF GENERAL MEETINGS

59. (1) An annual general meeting and any extraordinary general meeting may be called by not less than ten (10) clear days' Notice but a general meeting may be called by shorter notice, subject to the Law, if it is so agreed:
- (a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and
  - (b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together

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holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

(2) The notice shall specify the time and place of the meeting and, in case of special business, the general nature of the business. The notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditors.

60. The accidental omission to give Notice of a meeting or (in cases where instruments of proxy are sent out with the Notice) to send such instrument of proxy to, or the non-receipt of such Notice or such instrument of proxy by, any person entitled to receive such Notice shall not invalidate any resolution passed or the proceedings at that meeting.

#### PROCEEDINGS AT GENERAL MEETINGS

61. (1) All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of:
- (a) the declaration and sanctioning of dividends;
  - (b) consideration and adoption of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet;
  - (c) the election of Directors;
  - (d) appointment of Auditors (where special notice of the intention for such appointment is not required by the Law) and other officers; and
  - (e) the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the Directors.
- (2) No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. At any general meeting of the Company, two (2) Members entitled to vote and present in person or by proxy or (in the case of a Member being a corporation) by its duly authorised representative representing not less than one-third in nominal value of the total issued voting shares in the Company throughout the meeting shall form a quorum for all purposes.

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62. If within thirty (30) minutes (or such longer time not exceeding one hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the Board may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.

63. The chairman of the Company shall preside as chairman at every general meeting. If at any meeting the chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, or is not willing to act as chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, or if the chairman chosen shall retire from the chair, the Members present in person or by proxy and entitled to vote shall elect one of their number to be chairman.



64. The chairman may adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business which might lawfully have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' notice of the adjourned meeting shall be given specifying the time and place of the adjourned meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting and the general nature of the business to be transacted. Save as aforesaid, it shall be unnecessary to give notice of an adjournment.

65. If an amendment is proposed to any resolution under consideration but is in good faith ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

#### VOTING

66. (1) Holders of Ordinary Shares have the right to receive notice of, attend, speak and vote at general meetings of the Company. Except as required by applicable law, holders of Class A Ordinary Shares and Class B Ordinary Shares shall at all times vote together as one class on all matters submitted to a vote of the Shareholders.

(2) Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a show of hands:

(a) every Member holding Class A Ordinary Shares present in person (or being a corporation, is present by a duly authorised representative), or by proxy shall have one vote and on a poll every Member present in person or by proxy or, in the case of a

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Member being a corporation, by its duly authorised representative shall have one vote for every fully paid Class A Ordinary Share of which he is the holder; and

(b) every Member holding Class B Ordinary Shares present in person (or being a corporation, is present by a duly authorised representative), or by proxy shall have 1.3 votes and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have 1.3 votes for every fully paid Class B Ordinary Share of which he is the holder.

(3) No amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

(4) Notwithstanding anything contained in these Articles, where more than one proxy is appointed by a Member which is a clearing house or a central depository house (or its nominee(s)), each such proxy shall have one vote on a show of hands. A resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by the chairman of such meeting or by any one Member present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting. A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Member.

67. Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.

68. If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. There shall be no requirement for the chairman to disclose the voting figures on a poll.

69. A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken in such manner (including the use of ballot or voting papers or tickets) and either forthwith or at such time (being not later than thirty (30) days after the date of the demand) and place as the chairman directs. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll not taken immediately.

70. The demand for a poll shall not prevent the continuance of a meeting or the transaction of any business other than the question on which the poll has been demanded, and, with the consent of the chairman, it may be withdrawn at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

71. On a poll votes may be given either personally or by proxy.

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72. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

73. All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by these Articles or by the Law. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.

74. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Article be deemed joint holders thereof.

75. (1) A Member who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such court, and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as if he were the registered holder of such shares for the purposes of general meetings, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the Office, head office or Registration Office, as appropriate, not less than forty-eight (48) hours before the time appointed for holding the meeting, or adjourned meeting or poll, as the case may be.

(2) Any person entitled under Article 53 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight (48) hours at least before the time of the holding of the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his entitlement to such shares, or the Board shall have previously admitted his right to vote at such meeting in respect thereof.

76. No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

77. If:

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- (a) any objection shall be raised to the qualification of any voter; or
- (b) any votes have been counted which ought not to have been counted or which might have been rejected; or
- (c) any votes are not counted which ought to have been counted;

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

#### PROXIES

78. Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.

79. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

80. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified at the Registration Office or the Office, as may be appropriate) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll

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demanding at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

81. Instruments of proxy shall be in any common form or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

82. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other document sent therewith) two hours at least before the commencement of the meeting or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.

83. Anything which under these Articles a Member may do by proxy he may likewise do by his duly appointed attorney and the provisions of these Articles relating to proxies and instruments appointing proxies shall apply mutatis mutandis in relation to any such attorney and the instrument under

which such attorney is appointed.

#### CORPORATIONS ACTING BY REPRESENTATIVES

84. (1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

(2) If a clearing house (or its nominee(s)) or a central depository entity, being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further

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evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house or central depository entity (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house or a central depository entity (or its nominee(s)) including the right to vote individually on a show of hands.

(3) Any reference in these Articles to a duly authorised representative of a Member being a corporation shall mean a representative authorised under the provisions of this Article.

#### NO ACTION BY WRITTEN RESOLUTIONS OF MEMBERS

85. Any action required or permitted to be taken at any annual or extraordinary general meetings of the Company may be taken only upon the vote of the Members at an annual or extraordinary general meeting duly noticed and convened in accordance with these Articles and the Law and may not be taken by written resolution of Members without a meeting.

#### BOARD OF DIRECTORS

86. (1) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two (2). For so long as Shares or ADSs are listed on the Designated Stock Exchange, the Directors shall include such number of Independent Directors (as defined in the rules of the Designated Stock Exchange or in Rule 10A-3 under the Exchange Act) as applicable law, rules or regulations or the rules of the Designated Stock Exchange require. There shall be no maximum number of Directors unless otherwise determined from time to time by the Members by a special resolution in general meeting. The Directors shall be elected or appointed in the first place by the subscribers to the Memorandum of Association or by a majority of them and thereafter in accordance with Article 87 and shall hold office until their successors are elected or appointed.

(2) The Directors shall have the power from time to time and at any time to appoint any person as a Director to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

(3) No Director shall be required to hold any shares of the Company by way of qualification and a Director who is not a Member shall be entitled to receive notice of and to attend and speak at any general meeting of the Company and of all classes of shares of the Company.

(4) The Company may from time to time in general meeting by special resolution increase or reduce the number of Directors but so that the number of Directors shall never be less than two (2).

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#### RETIREMENT OF DIRECTORS

87. (1) Notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

(2) A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed pursuant to Article 86(2) or Article 86(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

#### DISQUALIFICATION OF DIRECTORS

89. The office of a Director shall be vacated if the Director:

- (1) resigns his office by notice in writing delivered to the Company at the Office or tendered at a meeting of the Board;
- (2) becomes of unsound mind or dies;

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(3) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months and the Board resolves that his office be vacated; or

- (4) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (5) is prohibited by law from being a Director; or
- (6) ceases to be a Director by virtue of any provision of the Statutes or is removed from office pursuant to these Articles.

#### EXECUTIVE DIRECTORS

90. The Board may from time to time appoint any one or more of its body to be a managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director. A Director appointed to an office under this Article shall be subject to the same provisions as to removal as the other Directors of the Company, and he shall (subject to the provisions of any contract between him and the Company) ipso facto and immediately cease to hold such office if he shall cease to hold the office of Director for any cause.

91. Notwithstanding Articles 97, 98 and 99, an executive director appointed to an office under Article 90 hereof shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director.

#### ALTERNATE DIRECTORS

92. Any Director may at any time by Notice delivered to the Office or head office or at a meeting of the Directors appoint any person (including another Director) to be his alternate Director. Any person so appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present. An alternate Director may be removed at any time by the body which appointed him and, subject thereto, the office of alternate Director shall continue until the happening of any event which, if he were a Director, would cause him to vacate such office or if his appointor ceases for any reason to be a Director. Any appointment or removal of an alternate Director shall be effected by Notice signed by the appointor and delivered to the Office or

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head office or tendered at a meeting of the Board. An alternate Director may also be a Director in his own right and may act as alternate to more than one Director. An alternate Director shall, if his appointor so requests, be entitled to receive notices of meetings of the Board or of committees of the Board to the same extent as, but in lieu of, the Director appointing him and shall be entitled to such extent to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to exercise and discharge all the functions, powers and duties of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he were a Director save that as an alternate for more than one Director his voting rights shall be cumulative.

93. An alternate Director shall only be a Director for the purposes of the Law and shall only be subject to the provisions of the Law insofar as they relate to the duties and obligations of a Director when performing the functions of the Director for whom he is appointed in the alternative and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for the Director appointing him. An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified by the Company to the same extent mutatis mutandis as if he were a Director but he shall not be entitled to receive from the Company any fee in his capacity as an alternate Director except only such part, if any, of the remuneration otherwise payable to his appointor as such appointor may by Notice to the Company from time to time direct.

94. Every person acting as an alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director). If his appointor is for the time being absent from the People's Republic of China or otherwise not available or unable to act, the signature of an alternate Director to any resolution in writing of the Board or a committee of the Board of which his appointor is a member shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor.

95. An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director, however, such alternate Director or any other person may be re-appointed by the Directors to serve as an alternate Director PROVIDED always that, if at any meeting any Director retires but is re-elected at the same meeting, any appointment of such alternate Director pursuant to these Articles which was in force immediately before his retirement shall remain in force as though he had not retired.

#### DIRECTORS' FEES AND EXPENSES

96. The Directors shall receive such remuneration as the Board may from time to time determine.

97. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.

98. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.

99. The Board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

#### DIRECTORS' INTERESTS

100. A Director may:

- (a) hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Article;
- (b) act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director;
- (c) continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise and (unless otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of or from his interests in any such other company. Subject as otherwise provided by these Articles the Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by the Company,

or exercisable by them as Directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) or voting or providing for the payment of remuneration to the director, managing director, joint managing director, deputy managing director, executive director, manager or other officers of such other company and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Notwithstanding the foregoing, no "Independent Director" as defined in the rules of the Designated Stock Exchange or in Rule 10A-3 under the Exchange Act, and with respect of whom the Board has determined constitutes an "Independent Director" for purposes of compliance with applicable law or the Company's listing requirements, shall without the consent of the Audit Committee take any of the foregoing actions or any other action that would reasonably be likely to affect such Director's status as an "Independent Director" of the Company.

101. Subject to the Law and to these Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the Members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested in accordance with Article 102 herein. Any such transaction that would reasonably be likely to affect a Director's status as an "Independent Director", or that would constitute a "related party transaction" as defined by Item 7.N of Form 20F promulgated by the SEC, shall require the approval of the Audit Committee.

102. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Article, a general Notice to the Board by a Director to the effect that:

- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with that company or firm; or

- (b) he is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with a specified person who is connected with him;

shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement, provided that no such Notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

103. Following a declaration being made pursuant to the last preceding two Articles, subject to any separate requirement for Audit Committee approval under applicable law or the listing rules of the Company's Designated Stock Exchange, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

#### GENERAL POWERS OF THE DIRECTORS

104. (1) The business of the Company shall be managed and conducted by the Board, which may pay all expenses incurred in forming and registering the Company and may exercise all powers of the Company (whether relating to the management of the business of the Company or otherwise) which are not by the Statutes or by these Articles required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Statutes and of these Articles and to such regulations being not inconsistent with such provisions, as may be prescribed by the Company in general meeting, but no regulations made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if such regulations had not been made. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Board by any other Article.

(2) Any person contracting or dealing with the Company in the ordinary course of business shall be entitled to rely on any written or oral contract or agreement or deed, document or instrument entered into or executed as the case may be by any two of the Directors acting jointly on behalf of the Company and the same shall be deemed to be validly entered into or executed by the Company as the case may be and shall, subject to any rule of law, be binding on the Company.

(3) Without prejudice to the general powers conferred by these Articles it is hereby expressly declared that the Board shall have the following powers:

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- (a) To give to any person the right or option of requiring at a future date that an allotment shall be made to him of any share at par or at such premium as may be agreed.
- (b) To give to any Directors, officers or employees of the Company an interest in any particular business or transaction or participation in the profits thereof or in the general profits of the Company either in addition to or in substitution for a salary or other remuneration.
- (c) To resolve that the Company be deregistered in the Cayman Islands and continued in a named jurisdiction outside the Cayman Islands subject to the provisions of the Law.

105. The Board may establish any regional or local boards or agencies for managing any of the affairs of the Company in any place, and may appoint any persons to be members of such local boards, or any managers or agents, and may fix their remuneration (either by way of salary or by commission or by conferring the right to participation in the profits of the Company or by a combination of two or more of these modes) and pay the working expenses of any staff employed by them upon the business of the Company. The Board may delegate to any regional or local board, manager or agent any of the powers, authorities and discretions vested in or exercisable by the Board (other than its powers to make calls and forfeit shares), with power to sub-delegate, and may authorise the members of any of them to fill any vacancies therein and to act notwithstanding vacancies. Any such appointment or delegation may be made upon such terms and subject to such conditions as the Board may think fit, and the Board may remove any person appointed as aforesaid, and may revoke or vary such delegation, but no person dealing in good faith and without notice of any such revocation or variation shall be affected thereby.

106. The Board may by power of attorney appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Articles) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. Such attorney or attorneys may, if so authorised under the Seal of the Company, execute any deed or instrument under their personal seal with the same effect as the affixation of the Company's Seal.

107. The Board may entrust to and confer upon a managing director, joint managing director, deputy managing director, an executive director or any Director any of the powers exercisable by it upon such terms and conditions and with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, and may from time to time revoke or vary all or any of such powers but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.

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108. All cheques, promissory notes, drafts, bills of exchange and other instruments, whether negotiable or transferable or not, and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine. The Company's banking accounts shall be kept with such banker or bankers as the Board shall from time to time determine.

109. (1) The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's moneys to any schemes or funds for providing pensions, sickness or

compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any of its subsidiary companies) and ex-employees of the Company and their dependants or any class or classes of such person.

(2) The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as mentioned in the last preceding paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of or upon or at any time after his actual retirement, and may be subject or not subject to any terms or conditions as the Board may determine.

#### BORROWING POWERS

110. The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Law, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

111. Debentures, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

112. Any debentures, bonds or other securities may be issued at a discount (other than shares), premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.

113. (1) Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the Members or otherwise, to obtain priority over such prior charge.

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(2) The Board shall cause a proper register to be kept, in accordance with the provisions of the Law, of all charges specifically affecting the property of the Company and of any series of debentures issued by the Company and shall duly comply with the requirements of the Law in regard to the registration of charges and debentures therein specified and otherwise.

#### PROCEEDINGS OF THE DIRECTORS

114. The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes the chairman of the meeting shall have an additional or casting vote.

115. A meeting of the Board may be convened by the Secretary on request of a Director or by any Director. The Secretary shall convene a meeting of the Board of which notice may be given in writing or by telephone or in such other manner as the Board may from time to time determine whenever he shall be required so to do by the president or chairman, as the case may be, or any Director.

116. (1) The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be a majority of the Directors. An alternate Director shall be counted in a quorum in the case of the absence of a Director for whom he is the alternate provided that he shall not be counted more than once for the purpose of determining whether or not a quorum is present.

(2) Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

(3) Any Director who ceases to be a Director at a Board meeting may continue to be present and to act as a Director and be counted in the quorum until the termination of such Board meeting if no other Director objects and if otherwise a quorum of Directors would not be present.

117. The continuing Directors or a sole continuing Director may act notwithstanding any vacancy in the Board but, if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Articles, the continuing Directors or Director, notwithstanding that the number of Directors is below the number fixed by or in accordance with these Articles as the quorum or that there is only one continuing Director, may act for the purpose of filling vacancies in the Board or of summoning general meetings of the Company but not for any other purpose.

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118. The Chairman of the Board shall be the chairman of all meetings of the Board. If the Chairman of the Board is not present at any meeting within five (5) minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.

119. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board.

120. (1) The Board may delegate any of its powers, authorities and discretions to committees (including, without limitation, the Audit Committee), consisting of such Director or Directors and other persons as it thinks fit, and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board.

(2) All acts done by any such committee in conformity with such regulations, and in fulfilment of the purposes for which it was appointed, but not otherwise, shall have like force and effect as if done by the Board, and the Board (or if the Board delegates such power, the committee) shall have power

to remunerate the members of any such committee, and charge such remuneration to the current expenses of the Company.

121. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Articles for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board under the last preceding Article, indicating, without limitation, any committee charter adopted by the Board for purposes or in respect of any such committee.

122. A resolution in writing signed by all the Directors except such as are temporarily unable to act through ill-health or disability shall (provided that such number is sufficient to constitute a quorum and further provided that a copy of such resolution has been given or the contents thereof communicated to all the Directors for the time being entitled to receive notices of Board meetings in the same manner as notices of meetings are required to be given by these Articles) be as valid and effectual as if a resolution had been passed at a meeting of the Board duly convened and held. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors and for this purpose a facsimile signature of a Director shall be treated as valid.

123. All acts bona fide done by the Board or by any committee or by any person acting as a Director or members of a committee, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.

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#### AUDIT COMMITTEE

124. Without prejudice to the freedom of the Directors to establish any other committees, for so long as the shares of the Company (or depositary receipts therefor) are listed or quoted on the Designated Stock Exchange, the Board shall establish and maintain an Audit Committee as a committee of the Board, the composition and responsibilities of which shall comply with the rules of the Designated Stock Exchange and the rules and regulations of the SEC.

125. (1) The Board shall adopt a formal written audit committee charter and review and assess the adequacy of the formal written charter on an annual basis.

(2) The Audit Committee shall meet at least once every financial quarter, or more frequently as circumstances dictate.

126. For so long as the shares of the Company (or depositary receipts therefor) are listed or quoted on the Designated Stock Exchange, the Company shall conduct an appropriate review of all related party transactions on an ongoing basis and shall utilize the Audit Committee for the review and approval of potential conflicts of interest. Specially, the Audit Committee shall approve any transaction or transactions between the Company and any of the following parties: (i) any shareholder owning an interest in the voting power of the Company or any subsidiary of the Company that gives such shareholder significant influence over the Company or any subsidiary of the Company, (ii) any director or executive officer of the Company or any subsidiary of the Company and any relative of such director or executive officer, (iii) any person in which a substantial interest in the voting power of the Company is owned, directly or indirectly, by any person described in (i) or (ii) or over which such a person is able to exercise significant influence, and (iv) any affiliate (other than a subsidiary) of the Company.

#### OFFICERS

127. (1) The officers of the Company shall consist of the Chairman of the Board, the Directors and Secretary and such additional officers (who may or may not be Directors) as the Board may from time to time determine, all of whom shall be deemed to be officers for the purposes of the Law and these Articles.

(2) The Directors shall, as soon as may be after each appointment or election of Directors, elect amongst the Directors a chairman and if more than one Director is proposed for this office, the election to such office shall take place in such manner as the Directors may determine.

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(3) The officers shall receive such remuneration as the Directors may from time to time determine.

128. (1) The Secretary and additional officers, if any, shall be appointed by the Board and shall hold office on such terms and for such period as the Board may determine. If thought fit, two or more persons may be appointed as joint Secretaries. The Board may also appoint from time to time on such terms as it thinks fit one or more assistant or deputy Secretaries.

(2) The Secretary shall attend all meetings of the Members and shall keep correct minutes of such meetings and enter the same in the proper books provided for the purpose. He shall perform such other duties as are prescribed by the Law or these Articles or as may be prescribed by the Board.

129. The officers of the Company shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Directors from time to time.

130. A provision of the Law or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as or in place of the Secretary.

#### REGISTER OF DIRECTORS AND OFFICERS

131. The Company shall cause to be kept in one or more books at its Office a Register of Directors and Officers in which there shall be entered the full names and addresses of the Directors and Officers and such other particulars as required by the Law or as the Directors may determine. The Company



shall send to the Registrar of Companies in the Cayman Islands a copy of such register, and shall from time to time notify to the said Registrar of any change that takes place in relation to such Directors and Officers as required by the Law.

#### MINUTES

132. (1) The Board shall cause minutes to be duly entered in books provided for the purpose:
- (a) of all elections and appointments of officers;
  - (b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;

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- (c) of all resolutions and proceedings of each general meeting of the Members, meetings of the Board and meetings of committees of the Board and where there are managers, of all proceedings of meetings of the managers.
- (2) Minutes shall be kept by the Secretary at the Office.

#### SEAL

133. (1) The Company shall have one or more Seals, as the Board may determine. For the purpose of sealing documents creating or evidencing securities issued by the Company, the Company may have a securities seal which is a facsimile of the Seal of the Company with the addition of the word "Securities" on its face or in such other form as the Board may approve. The Board shall provide for the custody of each Seal and no Seal shall be used without the authority of the Board or of a committee of the Board authorised by the Board in that behalf. Subject as otherwise provided in these Articles, any instrument to which a Seal is affixed shall be signed autographically by one Director and the Secretary or by two Directors or by such other person (including a Director) or persons as the Board may appoint, either generally or in any particular case, save that as regards any certificates for shares or debentures or other securities of the Company the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature. Every instrument executed in manner provided by this Article shall be deemed to be sealed and executed with the authority of the Board previously given.

(2) Where the Company has a Seal for use abroad, the Board may by writing under the Seal appoint any agent or committee abroad to be the duly authorised agent of the Company for the purpose of affixing and using such Seal and the Board may impose restrictions on the use thereof as may be thought fit. Wherever in these Articles reference is made to the Seal, the reference shall, when and so far as may be applicable, be deemed to include any such other Seal as aforesaid.

#### AUTHENTICATION OF DOCUMENTS

134. Any Director or the Secretary or any person appointed by the Board for the purpose may authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Board or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts, and if any books, records, documents or accounts are elsewhere than at the Office or the head office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person so appointed by the Board. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Board or any committee which is so certified shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that

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such minutes or extract is a true and accurate record of proceedings at a duly constituted meeting.

#### DESTRUCTION OF DOCUMENTS

135. (1) The Company shall be entitled to destroy the following documents at the following times:
- (a) any share certificate which has been cancelled at any time after the expiry of one (1) year from the date of such cancellation;
  - (b) any dividend mandate or any variation or cancellation thereof or any notification of change of name or address at any time after the expiry of two (2) years from the date such mandate variation cancellation or notification was recorded by the Company;
  - (c) any instrument of transfer of shares which has been registered at any time after the expiry of seven (7) years from the date of registration;
  - (d) any allotment letters after the expiry of seven (7) years from the date of issue thereof; and
  - (e) copies of powers of attorney, grants of probate and letters of administration at any time after the expiry of seven (7) years after the account to which the relevant power of attorney, grant of probate or letters of administration related has been closed;

and it shall conclusively be presumed in favour of the Company that every entry in the Register purporting to be made on the basis of any such documents so destroyed was duly and properly made and every share certificate so destroyed was a valid certificate duly and properly cancelled and that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and that every other document destroyed hereunder was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided always that: (1) the foregoing provisions of this Article shall apply only to the destruction of a document in good faith and without express notice to the Company that the preservation of such document was relevant to a claim; (2) nothing contained in this Article shall be construed as imposing upon the Company any

liability in respect of the destruction of any such document earlier than as aforesaid or in any case where the conditions of proviso (1) above are not fulfilled; and (3) references in this Article to the destruction of any document include references to its disposal in any manner.

(2) Notwithstanding any provision contained in these Articles, the Directors may, if permitted by applicable law, authorise the destruction of documents set out in sub-paragraphs (a) to (e) of paragraph (1) of this Article and any other documents in relation

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to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf provided always that this Article shall apply only to the destruction of a document in good faith and without express notice to the Company and its share registrar that the preservation of such document was relevant to a claim.

#### DIVIDENDS AND OTHER PAYMENTS

136. Subject to the Law, the Board may from time to time declare dividends in any currency to be paid to the Members but no dividend shall be declared in excess of the amount recommended by the Board.

137. Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. The Board may also declare and pay dividends out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.

138. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Article as paid up on the share; and
- (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

139. The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

140. The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

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141. No dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

142. Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

143. All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

144. Whenever the Board has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the Members. The Board may resolve that no such assets shall be made available to Members with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Members aforesaid shall be to receive cash payments as aforesaid. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.

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145. (1) Whenever the Board has resolved that a dividend be paid or declared on any class of the share capital of the Company, the Board may further resolve either:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the Members entitled thereto will be entitled to elect to receive such dividend (or part thereof if the Board so determines) in cash in lieu of such allotment. In such case, the following provisions shall apply:
  - (i) the basis of any such allotment shall be determined by the Board;
  - (ii) the Board, after determining the basis of allotment, shall give not less than ten (10) days' Notice to the holders of the relevant shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
  - (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
  - (iv) the dividend (or that part of the dividend to be satisfied by the allotment of shares as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised ("the non-elected shares") and in satisfaction thereof shares of the relevant class shall be allotted credited as fully paid up to the holders of the non-elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserves or other special account, share premium account, capital redemption reserve other than the Subscription Rights Reserve) as the Board may determine, such sum as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and amongst the holders of the non-elected shares on such basis; or
- (b) that the Members entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. In such case, the following provisions shall apply:
  - (i) the basis of any such allotment shall be determined by the Board;

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- (ii) the Board, after determining the basis of allotment, shall give not less than ten (10) days' Notice to the holders of the relevant shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
  - (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
  - (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on shares in respect whereof the share election has been duly exercised ("the elected shares") and in lieu thereof shares of the relevant class shall be allotted credited as fully paid up to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserves or other special account, share premium account, capital redemption reserve other than the Subscription Rights Reserve) as the Board may determine, such sum as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and amongst the holders of the elected shares on such basis.
- (2) (a) The shares allotted pursuant to the provisions of paragraph (1) of this Article shall rank *pari passu* in all respects with shares of the same class (if any) then in issue save only as regards participation in the relevant dividend or in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend unless, contemporaneously with the announcement by the Board of their proposal to apply the provisions of sub-paragraph (a) or (b) of paragraph (2) of this Article in relation to the relevant dividend or contemporaneously with their announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (1) of this Article shall rank for participation in such distribution, bonus or rights.
  - (b) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (1) of this Article, with full power to the Board to make such provisions as it thinks fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net

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proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned). The Board may authorise any person to enter into on behalf of all Members interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.

(3) The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (1) of this Article a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

(4) The Board may on any occasion determine that rights of election and the allotment of shares under paragraph (1) of this Article shall not be made available or made to any shareholders with registered addresses in any territory where, in the absence of a registration statement or other special formalities, the circulation of an offer of such rights of election or the allotment of shares would or might, in the opinion of the Board, be unlawful or impracticable, and in such event the provisions aforesaid shall be read and construed subject to such determination. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.

(5) Any resolution of the Board declaring a dividend on shares of any class, may specify that the same shall be payable or distributable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable or distributable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Article shall mutatis mutandis apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the Members.

#### RESERVES

146. (1) The Board shall establish an account to be called the share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share in the Company. Unless otherwise provided by the provisions of these Articles, the Board may apply the share premium account in any manner permitted by the Law. The Company shall at all times comply with the provisions of the Law in relation to the share premium account.

(2) Before recommending any dividend, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly

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applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

#### CAPITALISATION

147. (1) The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of Members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Article, a share premium account and any capital redemption reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such Members credited as fully paid.

(2) Notwithstanding any provisions in these Articles, the Board may resolve to capitalise any sum for the time being standing to the credit of any reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) service providers and employees (including directors) of the Company or its affiliate (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Members at a general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Members at a general meeting.

148. The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Article and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any

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fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members.

#### SUBSCRIPTION RIGHTS RESERVE

149. The following provisions shall have effect to the extent that they are not prohibited by and are in compliance with the Law:

(1) If, so long as any of the rights attached to any warrants issued by the Company to subscribe for shares of the Company shall remain exercisable, the Company does any act or engages in any transaction which, as a result of any adjustments to the subscription price in

accordance with the provisions of the conditions of the warrants, would reduce the subscription price to below the par value of a share, then the following provisions shall apply:

- (a) as from the date of such act or transaction the Company shall establish and thereafter (subject as provided in this Article) maintain in accordance with the provisions of this Article a reserve (the "Subscription Rights Reserve") the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional shares required to be issued and allotted credited as fully paid pursuant to sub-paragraph (c) below on the exercise in full of all the subscription rights outstanding and shall apply the Subscription Rights Reserve in paying up such additional shares in full as and when the same are allotted;
- (b) the Subscription Rights Reserve shall not be used for any purpose other than that specified above unless all other reserves of the Company (other than share premium account) have been extinguished and will then only be used to make good losses of the Company if and so far as is required by law;
- (c) upon the exercise of all or any of the subscription rights represented by any warrant, the relevant subscription rights shall be exercisable in respect of a nominal amount of shares equal to the amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be the relevant portion thereof in the event of a partial exercise of the subscription rights) and, in addition, there shall be allotted in respect of such subscription rights to the exercising warrant holder, credited as fully paid, such additional nominal amount of shares as is equal to the difference between:

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- (i) the said amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights); and
- (ii) the nominal amount of shares in respect of which such subscription rights would have been exercisable having regard to the provisions of the conditions of the warrants, had it been possible for such subscription rights to represent the right to subscribe for shares at less than par and immediately upon such exercise so much of the sum standing to the credit of the Subscription Rights Reserve as is required to pay up in full such additional nominal amount of shares shall be capitalised and applied in paying up in full such additional nominal amount of shares which shall forthwith be allotted credited as fully paid to the exercising warrant holders; and

- (d) if, upon the exercise of the subscription rights represented by any warrant, the amount standing to the credit of the Subscription Rights Reserve is not sufficient to pay up in full such additional nominal amount of shares equal to such difference as aforesaid to which the exercising warrant holder is entitled, the Board shall apply any profits or reserves then or thereafter becoming available (including, to the extent permitted by law, share premium account) for such purpose until such additional nominal amount of shares is paid up and allotted as aforesaid and until then no dividend or other distribution shall be paid or made on the fully paid shares of the Company then in issue. Pending such payment and allotment, the exercising warrant holder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one share in the like manner as the shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the Board may think fit and adequate particulars thereof shall be made known to each relevant exercising warrant holder upon the issue of such certificate.

(2) Shares allotted pursuant to the provisions of this Article shall rank *pari passu* in all respects with the other shares allotted on the relevant exercise of the subscription rights represented by the warrant concerned. Notwithstanding anything contained in paragraph (1) of this Article, no fraction of any share shall be allotted on exercise of the subscription rights.

(3) The provision of this Article as to the establishment and maintenance of the Subscription Rights Reserve shall not be altered or added to in any way which would vary or abrogate, or which would have the effect of varying or abrogating the provisions for the

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benefit of any warrant holder or class of warrant holders under this Article without the sanction of a special resolution of such warrant holders or class of warrant holders.

(4) A certificate or report by the auditors for the time being of the Company as to whether or not the Subscription Rights Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purposes for which the Subscription Rights Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the additional nominal amount of shares required to be allotted to exercising warrant holders credited as fully paid, and as to any other matter concerning the Subscription Rights Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all warrant holders and shareholders.

#### ACCOUNTING RECORDS

150. The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

151. The accounting records shall be kept at the Office or, at such other place or places as the Board decides and shall always be open to inspection by the Directors. No Member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

152. Subject to Article 153, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least ten (10) days before the date of the general meeting and laid before the Company at the annual general meeting held in accordance with Article 56 provided that this Article shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.

153. Subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Article 152 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, a summary financial statement derived from the Company's annual accounts and the directors' report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors'

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report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

154. The requirement to send to a person referred to in Article 152 the documents referred to in that article or a summary financial report in accordance with Article 153 shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Article 152 and, if applicable, a summary financial report complying with Article 153, on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.

#### AUDIT

155. Subject to applicable law and rules of the Designated Stock Exchange:

(1) The Directors shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the Directors appoint another auditor. Such auditor may be a Member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company.

(2) The Members may, at any general meeting convened and held in accordance with these Articles, by special resolution remove the Auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another Auditor in his stead for the remainder of his term.

156. Subject to the Law the accounts of the Company shall be audited at least once in every year.

157. The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.

158. If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors shall fill the vacancy and determine the remuneration of such Auditor.

159. The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto; and he may call on the Directors or officers of the Company for any information in their possession relating to the books or affairs of the Company.

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160. The statement of income and expenditure and the balance sheet provided for by these Articles shall be examined by the Auditor and compared by him with the books, accounts and vouchers relating thereto; and he shall make a written report thereon stating whether such statement and balance sheet are drawn up so as to present fairly the financial position of the Company and the results of its operations for the period under review and, in case information shall have been called for from Directors or officers of the Company, whether the same has been furnished and has been satisfactory. The financial statements of the Company shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the Members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the Auditor should disclose this fact and name such country or jurisdiction.

#### NOTICES

161. Any Notice or document, whether or not, to be given or issued under these Articles from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appropriate newspapers in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company's website and giving to the member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.

162. Any Notice or other document:

- (a) if served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was

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properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the notice or other document was so addressed and put into the post shall be conclusive evidence thereof;

- (b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company's website is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;
- (c) if served or delivered in any other manner contemplated by these Articles, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the act and time of such service, delivery, despatch or transmission shall be conclusive evidence thereof; and
- (d) may be given to a Member in the English language or such other language as may be approved by the Directors, subject to due compliance with all applicable Statutes, rules and regulations.

163. (1) Any Notice or other document delivered or sent by post to or left at the registered address of any Member in pursuance of these Articles shall, notwithstanding that such Member is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Member as sole or joint holder unless his name shall, at the time of the service or delivery of the notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such Notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

(2) A notice may be given by the Company to the person entitled to a share in consequence of the death, mental disorder or bankruptcy of a Member by sending it through the post in a prepaid letter, envelope or wrapper addressed to him by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.

(3) Any person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share

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which prior to his name and address being entered on the Register shall have been duly given to the person from whom he derives his title to such share.

#### SIGNATURES

164. For the purposes of these Articles, a cable or telex or facsimile or electronic transmission message purporting to come from a holder of shares or, as the case may be, a Director, or, in the case of a corporation which is a holder of shares from a director or the secretary thereof or a duly appointed attorney or duly authorised representative thereof for it and on its behalf, shall in the absence of express evidence to the contrary available to the person relying thereon at the relevant time be deemed to be a document or instrument in writing signed by such holder or Director in the terms in which it is received.

#### WINDING UP

165. (1) The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.
- (2) A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

166. (1) Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the Members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

(2) If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Law, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the

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Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

INDEMNITY

167. (1) The Directors, Secretary and other officers for the time being of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

(2) Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

AMENDMENT TO MEMORANDUM AND ARTICLES OF ASSOCIATION  
AND NAME OF COMPANY

168. No Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the Memorandum of Association or to change the name of the Company.

INFORMATION

169. No Member shall be entitled to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of

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the Company and which in the opinion of the Directors it will be inexpedient in the interests of the members of the Company to communicate to the public.

DISCONTINUANCE

170. The Board may exercise all the powers of the Company to transfer by way of continuation the Company to a named country or jurisdiction outside the Cayman Islands pursuant to the Companies Law.



Phoenix New Media Limited

Matter:  
 Type of Shares: Class A Ordinary Shares  
 Certificate No.  
 No. of shares  
 Amount Paid  
 Par Value US\$0.01

FEI/SEI:  
 Date of Record:  
 Transfer to cert# \_\_\_\_\_  
 No. of shares \_\_\_\_\_  
 Transfer Date \_\_\_\_\_

Issued to:

Incorporated in the Cayman Islands

**Phoenix New Media Limited**

This is to certify that

is / are the registered shareholders of:

<u>No. of Shares</u>	<u>Type of Share</u>	<u>Par Value</u>
	<b>Class A Ordinary</b>	<b>US\$ 0.01</b>
<u>Date of Record</u>	<u>Certificate Number</u>	<u>% Paid</u>
		<b>100.00</b>

The above shares are subject to the Memorandum and Articles of Association of the Company and transferable in accordance therewith.

\_\_\_\_\_  
 Director \_\_\_\_\_ Director / Secretary

## PHOENIX NEW MEDIA LIMITED

## PREFERRED SHARE PURCHASE AGREEMENT

This PREFERRED SHARE PURCHASE AGREEMENT (the “**Agreement**”) is made on the Ninth day of November, 2009 by and among PHOENIX NEW MEDIA LIMITED, an exempted company duly incorporated and validly existing under the Laws of the Cayman Islands (the “**Company**”), the purchasers listed on Schedule 1 attached to this Agreement (each a “**Purchaser**” and together the “**Purchasers**”), the Persons listed on Schedule 2 attached to this Agreement (collectively, the “**Existing Shareholder**”), PHOENIX SATELLITE TELEVISION INFORMATION LIMITED, a company organized and existing under the Laws of the British Virgin Islands (the “**BVI Co**”), BEIJING TIANYING JUZHOU NETWORK TECHNOLOGY CO., LTD., a domestic company duly incorporated and validly existing under the Laws of the PRC (“**Tian Ying**”), YI FENG LIANHE (BEIJING) TECHNOLOGY CO., LTD., a domestic company duly incorporated and validly existing under the Laws of the PRC (“**Yi Feng**” and together with Tian Ying, the “**Domestic Companies**” and each a “**Domestic Company**”), and FENGHUANG ON-LINE (BEIJING) INFORMATION TECHNOLOGY CO., LTD., a wholly owned foreign enterprise incorporated under the Laws of the PRC (the “**WFOE**”) whose equity is 100% owned by the BVI Co. Each of the Company, the BVI Co, the Purchasers, the Existing Shareholder, the WFOE and the Domestic Companies shall be referred to individually as a “**Party**” and collectively as the “**Parties**”. Capitalized terms used herein shall have the meaning set forth in Schedule 3 attached hereto.

## RECITALS

**WHEREAS**, the Purchasers desire to purchase from the Company the Preferred Shares (as defined in Section 1.1) and the Company desires to sell the Preferred Shares (as defined in Section 1.1) to the Purchasers pursuant to the terms and subject to the conditions of this Agreement.

**NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:****1. PURCHASE AND SALE OF PREFERRED SHARES.****1.1 Sale and Issuance of Series A Preferred Share; Closing Account.**

- (a) Purchase Price. Subject to the terms and conditions of this Agreement, each Purchaser agrees to purchase at the Closing (as defined below) and the Company agrees to sell and issue to each Purchaser at the Closing that number of Series A Preferred Shares set forth opposite each Purchaser’s name on Schedule 1, at a purchase price of US\$0.1923 per share for an aggregate purchase price of US\$25,000,000 (the “**Total Purchase Price**”). The Series A Preferred Shares issued to the Purchasers pursuant to this Agreement shall be referred to in this Agreement as the “**Preferred Shares**”.
- (b) Closing Account. Payment of the Total Purchase Price by the Purchasers to the Company shall be made by remittance of immediately available funds to a bank account of the Company in Hong Kong (the “**Closing Account**”). All bank

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charges and related expenses for remittance and receipt of funds shall be for the account of the Company. The Company shall give the Purchasers prior written notice for any withdrawal, disbursement or payment from the Closing Account.

**1.2 Closing; Delivery.**

- (a) The purchase and sale of the Preferred Shares shall take place remotely via the exchange of documents and signatures, on a date specified by the Parties, or at such other time and place as the Company and the Purchasers mutually agree upon, which date shall be no later than five (5) Business Days after the satisfaction or waiver of each condition to the Closing set forth in Section 2 and Section 3 (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions) (which time and place are designated as the “**Closing**”).
- (b) At the Closing, the Company shall cause its share register to be updated to reflect the Preferred Shares purchased by the Purchasers and deliver a copy of such updated share register certified by the Company’s registered agent to the Purchasers.
- (c) At the Closing, each of the Purchasers shall, severally and not jointly, deposit their respective portion of the Total Purchase Price for the Preferred Shares purchased by such Purchaser as indicated opposite such Purchaser’s name on Schedule 1 by wire transfer of immediately available U.S. dollar funds into the Closing Account. All bank charges and related expenses for remittance and receipt of funds shall be for the account of the Company.
- (d) Within five (5) Business Days after the Closing and against the payment of the purchase price paid by any Purchaser, the Company shall deliver to such Purchaser one or more certificates representing the Preferred Shares being purchased by such Purchaser hereunder at the Closing as set forth on Schedule 1.

**1.3 Use of Proceeds.**

In accordance with the directions of the Board of Directors, as it shall be constituted in accordance with the Shareholders’ Agreement, the Company shall use the proceeds from the sale of the Preferred Shares for general working capital, business expansion, capital expenditure and other general corporate purposes for the Group Companies. The Company shall not use such proceeds to repay any indebtedness owed by any Group Company to any of its shareholders, officers, directors or any other persons related in whatever respect with any of the foregoing parties without the prior written consent of the Purchasers.

**1.4 Termination of Agreement.**

This Agreement may be terminated before the Closing as follows:

- (a) at the election of the Purchasers on or after the date which is 30 days following the date hereof, if the Closing shall not have occurred on or before such date unless such date is extended by the mutual written consent of the Company and the Purchasers, provided that: (i) the Purchasers are not in material default of any of their obligations hereunder, and (ii) the right to terminate this Agreement pursuant to this Section 1.4(a) shall not be available to any Purchaser if its breach of any provision of this Agreement has been the cause of, or resulted, directly or indirectly, in, the failure of the Closing to be consummated by the date which is 30 days following the date hereof;
- (b) by mutual written consent of Company and the Purchasers as evidenced in writing signed by each of the Company and the Purchasers;
- (c) by the Purchasers in the event of any breach or violation of any representation or warranty, covenant or agreement contained herein or in any of the other Transaction Documents by any Warrantor that is not cured or curable within thirty (30) Business Days of written notice;
- (d) by the Purchasers if any event, circumstance or change shall have occurred that, individually or in the aggregate with one or more other events, circumstances or changes, have had or reasonably could be expected to have a Material Adverse Effect on the Company or any other Group Company; or
- (e) by the Company in the event of any breach or violation of any representation or warranty, covenant or agreement contained herein or in any of the other Transaction Documents by any Purchaser with respect to such Purchaser that is not cured or curable within ten (10) Business Days of written notice.
- (f) by the Company in the event that the amount to be raised among all the Purchasers (including those who may not currently be parties to this Agreement) from the sale of the Preferred Shares is less than US\$ 22,000,000 by the date which is 30 days following the date hereof.

The date of termination of this Agreement pursuant to this Section 1.4 hereof shall be referred to as “**Termination Date**”. In the event of termination by the Company and/or the Purchasers pursuant to this Section 1.4 hereof, written notice thereof shall forthwith be given to the other Party and this Agreement shall terminate, and the purchase of the Preferred Shares hereunder shall be abandoned and rescinded, without further action by the Parties hereto.

#### 1.5 Effect of Termination.

In the event that this Agreement is validly terminated pursuant to Section 1.4, then each of the Parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to any Group Company, the Existing Shareholder or the Purchasers; provided that no such termination shall relieve any Party hereto from liability for any breach of this

Agreement. The provisions of this Section 1.5, Section 7, Section 8.1, Section 8.2, Section 8.9, and Section 8.15, hereof shall survive any termination of this Agreement.

## 2. **CONDITIONS TO THE OBLIGATIONS OF THE PURCHASERS AT CLOSING.**

The obligations of each Purchaser to purchase those Preferred Shares set forth opposite such Purchaser’s name of Schedule 1 at the Closing are subject to the fulfillment, on or before the Closing, of each of the following conditions, unless otherwise waived in writing by such Purchaser:

### 2.1 Shareholders’ Agreement.

The Company, the Existing Shareholder, each of the Domestic Companies, the WFOE and the BVI Co shall have executed and delivered the Shareholders’ Agreement in the form attached hereto as Exhibit A.

### 2.2 Budgets.

The Existing Shareholder shall have submitted a detailed budget of the Company with the details of the scheduled use of the proceeds from the sale of the Preferred Shares, capital expenditure, revenue forecast, performance milestones and corporate benchmarks (in terms of corporate formation and so on) for the next thirty six (36) months (the “**Budgets**”) to the satisfaction of the Purchasers. Such Budgets shall be prepared in good faith based upon assumptions and projections which the Existing Shareholder believes are reasonable and not materially misleading.

### 2.3 Provision of Due Diligence Documents.

The Existing Shareholder shall, on a timely basis provide all the information and documents as reasonably required by the Purchasers.

### 2.4 Completion of Due Diligence.

The Purchasers shall have satisfactorily completed its business, legal and financial due diligence review, including but not limited to the receipt by the Purchasers of the Financial Statements with respect to each Group Company hereof at the Company’s expense.

### 2.5 Material Adverse Effect.

Since the date of this Agreement, no event, circumstance or change shall have occurred that, individually or in the aggregate with one or more other events, circumstances or changes, have had or reasonably could be expected to have a Material Adverse Effect on the Company or any other Group Company.

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2.6 Proceedings and Documents.

All corporate actions in connection with the transactions contemplated at the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to the Purchasers, and the Purchasers (or their legal counsel) shall have received all such counterpart original and certified or other copies of such documents as reasonably requested. In addition, the Purchasers (or their legal counsel) shall have received good standing certificates of the Company and the BVI Co. The Group Companies shall have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by such Group Companies on or before the Closing.

2.7 Authorizations.

The Warrantors shall have obtained all authorizations, approvals, waivers or permits of any Person or any Governmental Authority necessary for the consummation of all of the transactions contemplated by this Agreement and other Transaction Documents, including without limitation any authorizations, approvals, waivers or permits that are required in connection with the lawful issuance of the Series A Preferred Shares and all such authorizations, approvals, waivers and permits shall be effective as of the Closing. The Company shall have fully satisfied (including with respect to rights of timely notification) or obtained enforceable waivers in respect of any preemptive or similar rights directly or indirectly affecting any of its shares or securities, as applicable.

2.8 Opinion of Offshore Counsel and PRC Counsel.

The Purchasers shall have received (i) from Conyers Dill & Pearman, Cayman Islands legal counsel of the Company, a legal opinion, dated as of the Closing, in the form and substance attached hereto as Exhibit C-1, and (ii) from Zhong Lun Law Firm, PRC legal counsel of the Company, a legal opinion, dated as of the Closing, in the form and substance attached hereto as Exhibit C-2.

2.9 Representations and Warranties.

The representations and warranties of the Warrantors contained in Schedule 5 in all material respects shall be true, complete and correct as of the Closing, except for those representations and warranties (i) that address matters only as of a particular date, which representations will have been true and correct as of such particular date, and (ii) that already contain any materiality qualification, which representations and warranties, to the extent already so qualified, shall instead be true and correct in all respects as so qualified as of such respective dates.

2.10 Postponement of Option Exercising.

The Company shall have worked out a plan (the “**Interim Option Exercising Plan**”) acceptable to the Purchasers such that all the exercise of options pursuant to the Share Plan which is/will be due from October 25, 2009 shall be postponed until the implementation of the Final Option Exercising Plan (as defined below).

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2.11 Exclusive Cooperation Agreement.

The WFOE and Phoenix Satellite Television Holdings Limited shall have executed and delivered to the Purchasers an Exclusive Cooperation Agreement in the form attached hereto as Exhibit D.

2.12 Restated Articles.

The memorandum and articles of association of the Company shall have been amended as set forth in the form attached hereto as Exhibit E (the “**Restated Articles**”). Such Restated Articles shall have been duly adopted by all necessary actions of the Board of Directors and/or the members of the Company.

2.13 Compliance Certificates.

The Purchasers shall have received (a) a certificate executed and delivered by a director of the Company in the form attached hereto as Exhibit F-1, and (b) a certificate executed and delivered by the Existing Shareholder in the form attached as Exhibit F-2.

2.14 Board of Directors.

As of the Closing, the authorized size of the Board of Directors shall be five (5), and the Board of Directors shall be comprised of the following members: LIU Qin 刘勤, Chui Keung 崔景, HE Daguang 何大光, LIU Shuang 刘双 and LI Ya 李亚 as set forth in the Company’s register of directors, a copy of which shall be certified by the Company’s registered agent and shall be delivered to the Purchasers.

2.15 Investment Committee Approval.

Within 7 days following the date hereof, each Purchaser’s investment committee shall have approved the execution of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby.

2.16 Director Indemnification Agreement.

The Company shall have executed and delivered to the Series A Director the Indemnification Agreement in the form and substance attached hereto as Exhibit H.

2.17 Management Rights Letter.

The Company shall have executed and delivered to each Purchaser a Management Rights Letter in the form attached hereto as Exhibit I.

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2.18 Share Incentive Plan.

The Company shall have an authorized share capital as shall be sufficient to enable issue such number of Ordinary Shares which fall to be issued upon exercise of option granted (including the Committed Options) and which may be granted to eligible persons under the Share Plan (as defined below).

2.19 Employment Agreements.

Each Key Employee listed on Schedule 4 shall have entered into an employment agreement (the “**Employment Agreement**”) with the WFOE in form and substance acceptable to the Purchasers.

2.20 Proprietary Information and Inventions Assignment Agreements.

Each Key Employee listed on Schedule 4 shall have entered into a confidentiality and proprietary information agreement with the WFOE in the form and substance satisfactory and acceptable to the Purchasers that shall include provisions relating to non-disclosure, the assignment of inventions, non-solicitation and non-competition, and the Company shall provide evidence of such agreements to the Purchasers.

2.21 Side Agreement.

Solely with respect to the obligations of Intel at the Closing, each of the Group Companies shall have executed and delivered to Intel a Side Agreement with respect to the Group Company’s representations and warranties regarding the Foreign Corrupt Practices Act in the form and substance acceptable to Intel.

2.22 Letter of Commitment and Non-Compete.

Each Key Employee shall have entered into a Letter of Commitment and Non-Compete in the form and substance attached hereto as Exhibit G.

2.23 Power of Attorney.

The Company shall procure that prior to the Closing, each of the individual shareholders of the Company shall have executed a power of attorney in the form acceptable to the Purchasers authorizing the Company or its designee to act on behalf of each such individual shareholder as his exclusive agent and attorney to execute and deliver the Shareholders’ Agreement and all other actions necessary for consummation of the Transaction.

2.24 License Agreements.

The relevant Affiliate of the Company and Tian Ying shall have entered into (i) a domain name license agreement; (ii) a program content license agreement; and (iii) a trademark license agreement, in the form and substance satisfactory and acceptable to the Purchasers.

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The relevant Affiliate of the Company and Yi Feng shall have entered into (i) a program content license agreement; and (ii) a trademark license agreement, in the form and substance satisfactory and acceptable to the Purchasers.

3. **CONDITIONS OF THE OBLIGATIONS OF THE COMPANY AT CLOSING.**

The obligations of the Company to sell Preferred Shares to the Purchasers at the Closing are subject to the fulfillment, on or before the Closing, of each of the following conditions, unless otherwise waived in writing by the Company:

3.1 Representations and Warranties.

The representations and warranties of each Purchaser contained in Schedule 7 shall be true, complete and correct in all material respects as of the Closing.

3.2 Performance.

Each Purchaser shall have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

3.3 Qualifications.

All authorizations, approvals or permits, if any, of any Governmental Authority that are required in connection with the lawful issuance and sale of the Preferred Share pursuant to this Agreement shall be obtained and effective as of the Closing.

3.4 Shareholders' Agreement.

Each Purchaser shall have executed and delivered the Shareholders' Agreement.

3.5 Minimum Closing Amount.

The amount to be raised among all the Purchasers from the sale of the Preferred Shares shall have been no less than US\$ 22,000,000.

4. **REPRESENTATIONS AND WARRANTIES OF THE WARRANTORS.**

The Company, the Group Companies and the Existing Shareholder (collectively the "**Warrantors**"), jointly and severally, represent and warrant to the Purchasers that the statements contained in Schedule 5 attached hereto are true, correct and complete with respect to each Warrantor on and as of the Execution Date, with the same effect as if made on and as of the date of the Closing, except as set forth on the Disclosure Schedule attached hereto as Schedule 6 (the "**Disclosure Schedule**"), which exceptions shall be deemed to be representations and warranties as if made hereunder. The Disclosure

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Schedule shall be arranged in sections corresponding to the numbered and lettered sections and subsections contained in Schedule 5, and the disclosures in any section or subsection of the Disclosure Schedule shall qualify other sections and subsections in Schedule 5 only to the extent it is readily apparent from a reading of the disclosure that such disclosure is applicable to such other sections and subsections.

5. **REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS.**

Each Purchaser, severally and not jointly, represents and warrants to the Company that the statements contained in Schedule 7 attached hereto are true, correct and complete with respect to such Purchaser on and as of the date of the Closing.

6. **UNDERTAKINGS.**

6.1 Ordinary Course of Business.

From the Execution Date until the earlier of the Termination Date and the Closing, the Existing Shareholder shall cause each of the Group Companies to be conducted in the ordinary course of business and shall use its commercially reasonable efforts to maintain the present character and quality of the business, including without limitation, its present operations, physical facilities, working conditions, goodwill and relationships with lessors, licensors, suppliers, customers, employees and independent contractors. Commencing with the execution and delivery of this Agreement and continuing until the earlier of the Termination Date and the Closing, no Group Company may take any of the actions specified in Section 7.2 of the Shareholders' Agreement without satisfying the conditions as provided therein.

6.2 Exclusivity.

From the Execution Date until the earlier of the Termination Date and the Closing (the "**Exclusivity Period**"), the Group Companies agree not to (i) discuss the sale of any equity securities or any other instruments convertible into the equity securities of any Group Company with any third party, or (ii) to provide any information with respect to any Group Company to a third party in connection with a potential investment by such third party in any equity securities or any other instruments convertible into the equity securities of such Group Company, or (iii) to close any financing transaction of any equity securities or any other instruments convertible into the equity securities of any Group Company with any third party.

6.3 Share Incentive Plan.

The Parties acknowledge and agree that Schedule 9 sets forth a complete and correct list as of the Closing of restricted shares, share options, warrants, preemptive or antidilution rights or any other right to acquire, convert or exchange for securities of any Group Company, with or without consideration, granted by or on behalf of any Group Company to any of its current or former officers, directors, employees or consultants (the "**Committed Options**"). The Committed Options have been granted under the share

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option plan of the Company approved by the shareholders of the parent company of the Company on 20 June 2008 with the number of shares of the Company reserved under such option plan not exceeding 96,000,000 (including all the shares which certain individual holders (or their respective designees, nominees or assignees) hold by exercising their respective options) (the "**Share Plan**").

Each Purchaser will not take any action either in its capacity as a shareholder or director of the Company to alter the number of or terms of the Committed Options specifically set forth on Schedule 9, and will execute and deliver any and all documents reasonably requested by the Company to grant the Committed Options to the individuals set forth on Schedule 9, including without limitation any shareholder or Board action or consent, as long as such Committed Options are subject to the terms set forth in this Section 6.3 and on Schedule 9 and other customary provisions.

6.4 Filing of Restated Articles.

Within ten (10) calendar days following the Closing, the Restated Articles shall have been duly filed with the Registrar of Companies of the Cayman Islands.

6.5 Completion of Transfer Pricing Documentation.

The WFOE shall have completed and filed the relevant transfer pricing documentation with the competent PRC tax authority in accordance with the PRC Law for the transactions between the WFOE and the Domestic Companies (as applicable) within three (3) months following the Closing.

6.6 Governmental Licenses and Permits.

Tian Ying shall use its best efforts to obtain all necessary licenses and permits require under the applicable Law of the PRC as soon as practical after the Closing, including without limitation, the license for transmission of audio-video programs via internet [REDACTED], the “SARFT License”, the permit for internet news service [REDACTED], the “Permit for Internet News Service”, and the internet cultural operating license [REDACTED], the “Cultural Operating License”, the internet publication license [REDACTED], the “Internet Publication License”, and together with the SARFT License and the Permit for Internet News Service, the “Licenses”.

6.7 Control Documents.

Each of the Control Documents attached hereto as Exhibit B shall be executed and delivered as soon as practical after the Closing but in no event later than December 31, 2009.

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6.8 Non-Compete.

During the term of the Shareholder’s Agreement, the Existing Shareholder shall not and the Company shall cause the Existing Shareholder not to, either on their respective own account or in conjunction with or on behalf of any person, firm, company or organization, carry on or be engaged, concerned or interested directly or indirectly, in any territory where the Company or any of its Subsidiaries sells its products or carries on business, whether as principal, agent, shareholder, director, partner or otherwise in carrying on any business similar to or competing with the business of (i) value-added telecommunication services to mobile phone users and (ii) online media, video, advertisement services and related products and services, which are carried on or engaged in by the Company or any of its Subsidiaries as of the date of this Agreement.

6.9 Execution of New Employment Agreement.

Each current employee of the Domestic Companies or the WFOE shall enter into a new employment agreement with either the Domestic Company or the WFOE (where applicable) in the form and substance attached hereto as Exhibit J (the “New Employment Agreement”) upon the expiry of the existing employment agreement with such employee, provided that the parties to such existing employment agreement agree to the employment renewal. Each future employee of the Domestic Companies or the WFOE shall enter into the New Employment Agreement.

6.10 Liquidation and Dissolution.

As soon as practicable following the Closing, and in any event within eighteen (18) months] following the Closing, the Existing Shareholder shall cause to have completed the process of liquidating and dissolving each of PHOENIXi Investment Limited, PHOENIXi INC and Guofeng On-line (Beijing) Information Technology Co., Ltd. ([REDACTED]), and shall provide documentary evidence of the foregoing acceptable to the Purchasers. The Existing Shareholder shall procure that any such liquidation and dissolution (i) shall not have any adverse effect to the operation of the Group Companies, and (ii) shall not cause any expenses to be borne by any Group Company.

6.11 Application for Various Certificates.

Tian Ying shall cause its relevant branch companies in Tianjin and Guangzhou to obtain those certificates as provided in Section (1)(a)(v) of the Disclosure Schedule within thirty (30) days following the Closing.

Yi Feng shall cause its relevant branch companies in Harbin, Lanzhou, Nanjing, Wuhan and Chengdu to obtain those certificates as provided in Section (1)(b)(iv) of the Disclosure Schedule within thirty (30) days following the Closing.

6.12 Transfer of General Internet Addresses.

As soon as practical following the Closing, the Company shall procure that all the general internet addresses ([REDACTED]) registered in the name of CHEN Ming ([REDACTED]) in

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connection with the business operation of the Group Companies shall be duly transferred and registered in the name of Tian Ying, save for those to be transferred to Phoenix Satellite Television Company Limited or its designated nominees pursuant to Section 6.26.

6.13 Proprietary Information and Inventions Assignment Agreements.

Within thirty (30) days following the Closing, each of the employees of the WFOE and the Domestic Companies shall have entered into a confidentiality and proprietary information agreement in the form and substance satisfactory and acceptable to the Purchasers that shall include provisions relating to non-disclosure, the assignment of inventions, non-solicitation and non-competition.

6.14 Cease of Use of Pirated Software

As soon as practical after the Closing, each of the Group Companies shall use its best efforts to stop use of any pirated software by such Group Company and/or its employees.

6.15 Implementation of the Option Exercising Plan.

As soon as practical after the Closing but in any event no later than 9 months after the Closing, the Company shall upon the consultation with all relevant parties work out a final plan acceptable to the Purchasers (the “**Final Option Exercising Plan**”) such that all the exercise of options after October 25, 2009 pursuant to the Share Plan shall be postponed to the consummation of the Qualified IPO and take all necessary actions to implement the Final Option Exercising Plan (including without limitation, amending the Share Plan (if necessary)).

6.16 Settlement of Outstanding Related Party Transactions.

As soon as practical after the Closing, each Group Company and the Existing Shareholder shall have caused the related party transactions, including but not limited to (i) service fees of up to RMB 8 million payable by the WFOE to Phoenix Satellite Television Company Limited, (ii) service fees of up to RMB 5.5 million payable by the Domestic Company to Guofeng, and (iii) loan of up to RMB 2.08 million payable by Guofeng Online (Beijing) Information Technology Company Limited to Tian Ying, to be settled and discharged in a manner acceptable to the Purchasers.

6.17 Director Agreement.

The Company shall procure that any new member of the Board of Directors shall enter into the Director Agreement immediately following the appointment and approval of such new member into the Board of Directors.

6.18 Filing Information Update with MIIT.

As soon as practical after the Closing but in any event no later than 3 months after the Closing, the filling information of Tian Ying with the Ministry of Industry and

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Information Technology (“**MIIT**”) in connection with the operation of the website of Tian Ying shall be updated to reflect the change of the legal representative of Tian Ying from LIU Qinghua to QIAO Haiyan.

6.19 MIIT Registration for Mobile Network Value-Added Telecommunication Services.

As soon as practical after the Closing but in any event no later than 12 months after the Closing, each of Tian Ying and Yi Feng shall complete all the relevant registrations (including ICP registration and telecom number registration) with relevant local counterparts of MIIT for their respective nation-wide mobile network value-added telecommunication services.

6.20 Update of ICP License and Business License.

As soon as practical after the Closing but in any event no later than 4 months after the Closing, Tian Ying shall update its ICP License and business license to reflect the domain name of www.phoenixtv.com.cn.

6.21 Annual Inspection of Tian Ying Branch.

As soon as practical after the Closing but in any event no later than 6 months after the Closing, Tian Ying shall cause its branch companies in Xi’an to complete the annual inspections by the competent administration of industry and commerce.

6.22 License Update by Yi Feng.

As soon as practical after the Closing but in any event no later than 6 months after the Closing, the legal representative on Short Messaging Service Access Code Certificate (□□□□□□□□□□□□□□□□) of Yi Feng shall be updated to reflect the change of the legal representative of Yi Feng from SHANG Kena (□□□) to HE Yansheng (□□□).

6.23 Registration of Office Lease.

As soon as practical after the Closing but in any event no later than 3 months after the Closing, the WFOE and the Domestic Companies shall have the office lease agreements entered into with China National Service Corporation for Chinese Personnel Working Abroad (□□□□□□□□□□□□□□□□) filed with the competent district Beijing Municipal Construction Committee.

6.24 Compliance with Circular 75.

As soon as practical after the Closing but in any event no later than 30 days after the Closing, the Company shall have submitted an application with the State Administration of Foreign Exchange of the PRC (“**SAFE**”) as required pursuant to Circular 75 issued by **SAFE** on October 21, 2005, titled “*Notice Regarding Certain Administrative Measures on Financing and Inbound Investments by PRC Residents Through Offshore Special*

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*Purpose Vehicles*”, effective as of November 1, 2005 (“**Circular 75**”), or any successor rule or regulation under PRC law, in relation to the shareholding of all the individual shareholders in the Company.

6.25 Tax Arrangement.

Within 120 days after the Closing, the Company shall make its best efforts to make a proper tax arrangement acceptable to the Purchasers for the Committed Options with respect to the Key Employees of the Company to reduce their respectively tax burden to the extent as much as possible and in compliance with applicable Laws.



6.26 Transfer of Domain Name.

As soon as practical following the Closing, the Company shall procure that the domain names, general internet addresses and the wireless internet addresses as set forth in Schedule 10 shall be duly transferred and registered in the name of Phoenix Satellite Television Company Limited or its designated nominees.

7. **CURE OF BREACHES; INDEMNITY.**

7.1 In the event of: (a) any breach or violation of, or inaccuracy or misrepresentation in, any representation or warranty made by the Warrantors contained herein or any of the other Transaction Documents or (b) any breach or violation of any covenant or agreement by any of the Warrantors contained herein or any of the other Transaction Documents (each of (a) or (b), a “**Breach**”), the Existing Shareholder shall, jointly and severally, or cause the other Warrantors to, cure such Breach (to the extent that such Breach is curable) to the satisfaction of the Purchasers (it being understood that any cure shall be without recourse to cash or assets of any Group Companies). Notwithstanding the foregoing, the Existing Shareholder shall also, jointly and severally, indemnify the Purchasers and their respective Affiliates, limited partners, members, stockholders, employees, agents and representatives (each, an “**Indemnitee**”) for any and all losses, liabilities, damages, liens, claims, obligations, penalties, settlements, deficiencies, costs and expenses, including without limitation reasonable advisor’s fees and other reasonable expenses of investigation, defense and resolution of any Breach paid, suffered, sustained or incurred by the Indemnitees (each, an “**Indemnifiable Loss**”), resulting from, or arising out of, or due to, directly or indirectly, any Breach. Provided, however, that the Existing Shareholder shall not in any event be liable under this Section 7.1 in respect of any early redemption of the Preferred Shares under the Transaction Documents, or any Breach or alleged Breach of any provision solely in connection with redemption of the Preferred Shares under the Transaction Documents.

7.2 Notwithstanding the foregoing, the Existing Shareholder shall, jointly and severally, indemnify and keep indemnified the Indemnitees at all times and hold them harmless against any and all Indemnifiable Losses resulting from, or arising out of, or due to, directly or indirectly, any claim for tax due that is settled by a Group Company, owed pursuant to an arbitral award or final judgment by a court of competent jurisdiction which has been made or may hereafter be made against any Group Company wholly or partly in respect of or in consequence of any event occurring or any income, profits or gains

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earned, accrued or received by such Group Company on or before the Closing and any reasonable costs, fees or expenses incurred and other liabilities which such Group Company may properly incur in connection with the investigation, assessment or the contesting of any claim, the settlement of any claim for tax, any legal proceedings in which any Group Company claims for tax and in which an arbitration award or judgment is given for such Group Company and the enforcement of any such arbitration award or judgment whether or not such tax is chargeable against or attributable to any other person, provided, however, that the Existing Shareholder shall be under no liability in respect of taxation:

- (a) that is promptly cured without recourse to cash or other assets of any Group Company;
- (b) to the extent that provision, reserve or allowance has been made for such tax in the audited consolidated financial statement of the Company;
- (c) if it has arisen in and relates to the ordinary course of business of the Group Companies;
- (d) to the extent that the liability arises as a result only of a provision or reserve in respect of the liability made in the Financial Statement being insufficient by reason of any increase in rates of tax announced after the Closing with retrospective effect; and
- (e) to the extent that the liability arises as a result of legislation which comes into force after the Closing and which is retrospective in effect.

The survival period for any indemnity obligation relating to claims for tax matters arising under this Section 7.2 shall be the applicable statute of limitations for tax claims.

7.3 In the event that an Indemnitee suffers an Indemnifiable Loss as provided in Section 7.1 or 7.2 and the Existing Shareholder are either unwilling or unable to fulfill their obligations under Section 7.1 or 7.2 to indemnify the Indemnitees for the full amount of such Indemnifiable Loss within sixty (60) days of receipt of written notice thereof from the Purchasers, then the Company (or any other Warrantor selected by a majority in interest of the Indemnitees) shall indemnify the Indemnitees such that the Indemnitees shall receive the full amount of such Indemnifiable Loss. Any indemnification provided by the Warrantors other than the Existing Shareholder pursuant to this Section 7.3 shall not prejudice or otherwise affect the right of the Indemnitees to seek indemnification from the Existing Shareholder pursuant to Section 7.1 or 7.2; provided, however, that to the extent the Indemnitees are able to recover any Indemnifiable Loss from the Existing Shareholder, the Warrantors other than the Existing Shareholder shall not be obligated to indemnify the Indemnitees with respect to such amount.

7.4 If a Purchaser or other Indemnitee believes that it has a claim that may give rise to an obligation of any Warrantor pursuant to this Section 7, it shall give prompt notice thereof to the Warrantors and the other Purchasers stating specifically the basis on which such claim is being made, the material facts related thereto, and the amount of the claim

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asserted. In the event of a third party claim against an Indemnitee for which such Indemnitee seeks indemnification from the Warrantors pursuant to this Section 7, no settlement shall be deemed conclusive with respect to whether there was an Indemnifiable Loss or the amount of such Indemnifiable Loss unless such settlement is consented to by the Existing Shareholder, which shall not be unreasonably withheld or delayed. Any dispute related to this Section 7 shall be resolved pursuant to Section 8.15.

7.5 This Section 7 shall not be deemed to preclude or otherwise limit the Purchasers in any way the exercise of any other rights or pursuit of other remedies for any breach of this Agreement or any other Transaction Documents.

- 7.6 Notwithstanding any other provision contained herein, the Purchasers acknowledge and agree that absent fraud, gross negligence and/or willful misconduct by any of the Warrantors, the aggregate liability of the Warrantors under this Section 7 in respect of any Purchaser shall be limited to an amount equal to such Purchaser's purchase price hereunder.
- 7.7 Notwithstanding any other provision contained herein, the Company shall not be liable in respect of a claim unless and until the amount recoverable from the Company in respect of that claim exceeds US\$100,000, after which all claims starting from the first dollar shall be recoverable.
- 7.8 All indemnification obligations of the Warrantors under this Section 7 will terminate on the earlier of (i) four (4) years after the date of the Closing, and (ii) the completion of an initial public offering of the Ordinary Shares.

## 8. MISCELLANEOUS.

### 8.1 Survival of Warranties.

Unless otherwise set forth in this Agreement, the representations and warranties of the Warrantors contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation or knowledge of the subject matter thereof made by or on behalf of the Purchasers or the Company, until the earlier of (i) four (4) years after the Closing, and (ii) the closing of a Qualified IPO.

### 8.2 Confidentiality.

- (a) Disclosure of Terms. The terms and conditions of this Agreement, any term sheet or memorandum of understanding entered into pursuant to the transactions contemplated hereby, all exhibits and schedules attached hereto and thereto, and the transactions contemplated hereby and thereby (collectively, the "**Transaction Terms**"), including their existence, shall be considered confidential information and shall not be disclosed by any party hereto to any third party except as permitted in accordance with the provisions set forth below.

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- (b) Permitted Disclosures. Notwithstanding the foregoing, the Company may disclose (i) the existence of the investment, and (ii) the Purchasers' investment in the Company, solely to its bona fide prospective purchasers, employees, bankers, lenders, accountants, legal counsels and business partners, in each case only where such persons or entities are under appropriate nondisclosure obligations substantially similar to those set forth in this Section 8.2; provided, that, the Company shall be able to disclose to a third party the fact that each Purchaser is an investor of the Company without the requirement for nondisclosure obligations. Each Purchaser may disclose the existence of the investment and the Transaction Terms (i) to any Affiliate, partner, limited partner, former partner, potential partner or potential limited partner of the Purchaser or other third parties, and (ii) in any press conference, professional or trade publication, marketing materials or otherwise to the public, in each case as such Purchaser deems appropriate in its sole discretion after first consulting with the Company to avoid any inadvertent breaches of any applicable disclosure Laws and regulations of any jurisdiction, including without limitation the Hong Kong Stock Exchange fair disclosure regulations. Any Party hereto may also provide disclosure in order to comply with applicable Laws, as set forth in Section 8.2(c) below. After any information is disclosed to the public by any Purchaser pursuant to this Section 8.2(b), any of the Company and the other Purchasers shall be entitled to disclose such information at its sole discretion; provided, that there shall be only one press release relating to the Purchasers' investment in the Company.
- (c) Legally Compelled Disclosure. In the event that any Party or its Affiliate is requested or becomes compelled (including without limitation, pursuant to any applicable tax, securities, or any applicable stock exchange listing rules (whether such listing rules have the force of law or not) or other Laws and regulations of any jurisdiction) to disclose the existence of this Agreement or content of any of the Transaction Terms, such party (the "**Disclosing Party**") shall provide the other parties with prompt written notice of that fact and shall consult with the other parties regarding such disclosure. At the request of another party, the Disclosing Party shall, to the extent reasonably possible and with the cooperation and reasonable efforts of the other parties, seek a protective order, confidential treatment or other appropriate remedy. In any event, the Disclosing Party shall furnish only that portion of the information that is required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.
- (d) Other Exceptions. Notwithstanding any other provision of this Section 8.2, the confidentiality obligations of the parties shall not apply to: (i) information which a restricted party learns from a third party having the right to make the disclosure, provided the restricted party complies with any restrictions imposed by the third party; (ii) information which is rightfully in the restricted party's possession prior to the time of disclosure by the protected party and not acquired by the restricted party under a confidentiality obligation; or (iii) information which enters the public domain without breach of confidentiality by the restricted party.

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- (e) Press Releases, Etc. No announcements regarding a Purchaser's investment in the Company may be made by any Party hereto in any press conference, professional or trade publication, marketing materials or otherwise to the public without the prior written consent of such Purchaser, provided, in the event that no Purchaser elects to issue a press release within thirty (30) days following the Closing pursuant to Section 8.2(b), then the Company shall have the right to issue a press release within sixty (60) days following the Closing disclosing that the Purchasers have invested in the Company provided that (i) the press release does not disclose the amount or terms of the investment; and (ii) the final form of the press release is approved in advance in writing by the Purchasers. For the avoidance of doubt, notwithstanding anything to the contrary in this Section 8.2(e), in the event that any Party is requested or becomes compelled (including without limitation, pursuant to any applicable tax, securities, or any applicable stock exchange listing rules (whether such listing rules have the force of law or not) or other Laws and regulations of any jurisdiction) to make any announcements regarding a Purchaser's investment in the Company in any press conference, professional or trade publication, marketing materials or otherwise to the public, the provision in Section 8.2(c) shall prevail.

(f) Other Information. The provisions of this Section 8.2 shall terminate and supersede the provisions of any separate nondisclosure agreement executed by any of the Parties with respect to the transactions contemplated hereby, provided, that notwithstanding any other provisions in this Section 8.2, exchanges of information between the Company and Intel Capital Corporation (“**Intel**”) (including without limitation, any exchanges of information with any Intel board observer designated by Intel) shall be governed exclusively by the corporate non-disclosure agreement (No. 7440965) (the “**Non-Disclosure Agreement**”) dated May 27, 2009 and entered into by and between the Company and Intel Corporation as long as the Non-Disclosure Agreement is in effect.

8.3 Transfer; Successors and Assigns.

The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Save as expressly provided in this Agreement, nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement.

8.4 Governing Law.

This Agreement shall be governed by and construed in accordance with the Law of Hong Kong as to matters within the scope hereof, without regard to its principles of conflicts of laws.

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8.5 Counterparts; Facsimile.

This Agreement may be executed and delivered by facsimile or other electronic signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.6 Titles and Subtitles.

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.7 Notices.

All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been delivered by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after delivery by an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address as set forth on the signature pages, Schedule 1 or Schedule 2, as the case may be, or to such e-mail address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 8.7.

8.8 No Finder’s Fees.

Each Party represents that it neither is nor will be obligated for any finder’s fee or commission in connection with this transaction. Each Purchaser agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finder’s or broker’s fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which each Purchaser or any of its officers, employees, or representatives is responsible. The Company agrees to indemnify and hold harmless each Purchaser from any liability for any commission or compensation in the nature of a finder’s or broker’s fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees or representatives is responsible.

8.9 Fees and Expenses.

- (a) The Company shall pay all of its own costs and expenses incurred in connection with the negotiation, execution, delivery and performance of this Agreement and other Transaction Documents and the transactions contemplated hereby and thereby.
- (b) The Company shall pay the legal costs and expenses incurred or to be incurred by the Purchasers, up to US\$250,000 plus taxes and disbursements, including all

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reasonable costs and expenses in conducting due diligence investigations on the Group Companies and in preparing, negotiating and executing all documentation by the outside legal counsel of the Purchasers, which may be deducted at the Purchasers election at Closing from the cash consideration payable by the Purchasers.

- (c) In the event that the Closing does not proceed as a result of a termination by the Purchasers in accordance with Section 1.4(a), (c) or (d), the Company shall bear all the legal costs and expenses incurred by or on behalf of the Purchasers in the preparation of the agreements(s) and all other documents.

8.10 Attorney’s Fees.

If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of any of the Transaction Documents, the prevailing party shall be entitled to reasonable attorney’s fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled, as directed by the relevant court or tribunal.

8.11 Amendments and Waivers.

Any term of this Agreement may be amended, terminated or waived only with the written consent of the Company, the holders of a majority of the aggregate Ordinary Shares then in issue, and each of the Purchasers. Any amendment or waiver effected in accordance with this Section 8.11 shall be binding upon the Company, the Existing Shareholder, the Purchasers, and each transferee of the Preferred Shares or the Conversion Shares and each future holder of all such securities.

8.12 Severability.

The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

8.13 Delays or Omissions.

No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

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8.14 Entire Agreement.

This Agreement (including the Schedules and Exhibits hereto), the Restated Articles and the other Transaction Documents constitute the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties are expressly canceled.

8.15 Dispute Resolution.

- (a) Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall first be subject to resolution through consultation of the parties to such dispute, controversy or claim. Such consultation shall begin within seven (7) days after one Party hereto has delivered to the other Parties involved a written request for such consultation. If within thirty (30) days following the commencement of such consultation the dispute cannot be resolved, the dispute shall be submitted to arbitration upon the request of any Party with notice to the other Parties.
- (b) The arbitration shall be conducted in Hong Kong under the auspices of the Hong Kong International Arbitration Centre (the "HKIAC"). There shall be three arbitrators. The complainant and the respondent to such dispute shall each select one arbitrator within thirty (30) days after giving or receiving the demand for arbitration. Such arbitrators shall be freely selected, and the Parties shall not be limited in their selection to any prescribed list. The Chairman of the HKIAC shall select the third arbitrator, who shall be qualified to practice Law in Hong Kong. If either party to the arbitration does not appoint an arbitrator who has consented to participate within thirty (30) days after selection of the first arbitrator, the relevant appointment shall be made by the Chairman of the HKIAC.
- (c) The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the Arbitration Rules of the HKIAC in effect at the time of the arbitration. However, if such rules are in conflict with the provisions of this Section 8.15, including the provisions concerning the appointment of arbitrators, the provisions of this Section 8.15 shall prevail.
- (d) The arbitrators shall decide any dispute submitted by the parties to the arbitration strictly in accordance with the substantive Law of Hong Kong and shall not apply any other substantive law.
- (e) Each Party hereto shall cooperate with any party to the dispute in making full disclosure of and providing complete access to all information and documents requested by such party in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on the Party receiving the request.

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- (f) The award of the arbitration tribunal shall be final and binding upon the disputing parties, and any party to the dispute may apply to a court of competent jurisdiction for enforcement of such award.
- (g) Any party to the dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

8.16 No Commitment for Additional Financing.

The Company acknowledges and agrees that no Purchaser has made any representation, undertaking, commitment or agreement to provide or assist the Company in obtaining any financing, investment or other assistance, other than the purchase of the Shares as set forth herein and subject to the conditions set forth herein. In addition, the Company acknowledges and agrees that (i) no oral statements made by any Purchaser or its representatives on or after the date of this Agreement shall create an obligation, commitment or agreement to provide or assist the Company in obtaining any financing or investment, (ii) the Company shall not rely on any such statement by any Purchaser or its representatives and (iii) an obligation, commitment or agreement to provide or assist the Company in obtaining any financing or investment may only be created by a written agreement, signed by such Purchaser and the Company, setting forth the terms and conditions of such financing or investment and stating that the

parties intend for such writing to be a binding obligation or agreement. Each Purchaser shall have the right, in its sole and absolute discretion, to refuse or decline to participate in any other financing of or investment in the Company, and shall have no obligation to assist or cooperate with the Company in obtaining any financing, investment or other assistance.

8.17 Rights Cumulative.

Each and all of the various rights, powers and remedies of a Party will be considered to be cumulative with and in addition to any other rights, powers and remedies which such Party may have at law or in equity in the event of the breach of any of the terms of this Agreement. The exercise or partial exercise of any right, power or remedy will neither constitute the exclusive election thereof nor the waiver of any other right, power or remedy available to such Party.

8.18 No Waiver.

Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of such term, covenant, or condition, nor will any waiver or relinquishment of, or failure to insist upon strict compliance with, any right, power or remedy power hereunder at any one or more times be deemed a waiver or relinquishment of such right, power or remedy at any other time or times.

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8.19 No Presumption.

The Parties acknowledge that any applicable law that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it has no application and is expressly waived. If any claim is made by a Party relating to any conflict, omission or ambiguity in the provisions of this Agreement, no presumption or burden of proof or persuasion will be implied because this Agreement was prepared by or at the request of any Party or its counsel.

8.20 Exculpation Among Purchasers.

Each Purchaser acknowledges that it is not relying upon any person, firm or corporation, other than the Company and its officers and directors, in making its investment or decision to invest in the Company. Each Purchaser agrees that no Purchaser nor the respective controlling persons, officers, directors, partners, agents, or employees of any Purchaser shall be liable to any other Purchaser for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with the purchase of the Preferred Shares.

8.21 Third Party Beneficiaries.

Each of the Indemnitees shall be a third party beneficiary of this Agreement with the full ability to enforce Section 7 of this Agreement as if it were a Party hereto.

8.22 Use of "Intel" Name or Logo.

Without the prior written consent of Intel, and whether or not Intel is then a shareholder of the Company, neither the Group Company nor any other Purchaser shall use, publish or reproduce the name "Intel" or any similar name, trademark or logo in any of their marketing, advertising or promotion materials or otherwise for any marketing, advertising or promotional purposes.

*[Remainder of Page Intentionally Left Blank]*

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IN WITNESS WHEREOF, the Parties have executed this Preferred Share Purchase Agreement as of the date first written above.

**COMPANY**

PHOENIX NEW MEDIA LIMITED

By: /s/ Jiyang Wang

Name: Jiyang Wang

Capacity: \_\_\_\_\_

**BVI CO**

PHOENIX SATELLITE TELEVISION  
INFORMATION LIMITED

By: /s/ Keung Chui

Name: Keung Chui

Capacity: Director

SIGNATURE PAGE TO PREFERRED SHARE PURCHASE AGREEMENT



SIGNATURE PAGE TO PREFERRED SHARE PURCHASE AGREEMENT

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IN WITNESS WHEREOF, the Parties have executed this Preferred Share Purchase Agreement as of the date first written above.

**PURCHASERS:** **MORNINGSIDE CHINA TMT FUND I, L.P.,** )  
a Cayman Islands exempted limited partnership )  
By : )  
**MORNINGSIDE CHINA TMT, GP, L.P.,** )  
a Cayman Islands exempted limited partnership, )  
its general partner )  
By : )  
**TMT GENERAL PARTNER LTD.,** )  
a Cayman Islands limited company, )  
its general partner )  
in on )  
/s/ Jianming Shi )  
Director/Authorised Signatory )

SIGNATURE PAGE TO PREFERRED SHARE PURCHASE AGREEMENT

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IN WITNESS WHEREOF, the Parties have executed this Preferred Share Purchase Agreement as of the date first written above.

**PURCHASERS:** **INTEL CAPITAL CORPORATION**  
By: /s/ Michael J Scown  
Name: Michael J Scown  
Title: Authorised Signatory

SIGNATURE PAGE TO PREFERRED SHARE PURCHASE AGREEMENT

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IN WITNESS WHEREOF, the Parties have executed this Preferred Share Purchase Agreement as of the date first written above.

**PURCHASERS:** **SIGNED for and on behalf of**  
**BERTELSMANN ASIA INVESTMENTS AG**  
By: /s/ Erich Kalt  
Name: Erich Kalt  
Title: Authorized Signatory

SIGNATURE PAGE TO PREFERRED SHARE PURCHASE AGREEMENT

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**SCHEDULE AND EXHIBITS**

Schedules

- Schedule 1 Schedule of Purchasers
- Schedule 2 Schedule of Existing Shareholder

Schedule 3	Definitions
Schedule 4	Schedule of Key Employees
Schedule 5	Representations and Warranties of the Warrantors
Schedule 6	Disclosure Schedule
Schedule 7	Representations and Warranties of the Purchasers
Schedule 8	Capitalization Table
Schedule 9	Option List
Schedule 10	List of Domain Names, General Internet Addresses and Wireless Internet Addresses to be transferred to Phoenix Satellite Television Company Limited

Exhibits

Exhibit A	Shareholders' Agreement
Exhibit B	Control Documents
Exhibit C-1	Form of Offshore Legal Opinion
Exhibit C-2	Form of PRC Legal Opinion
Exhibit D	Form of Exclusive Cooperation Agreement
Exhibit E	Form of Restated Articles
Exhibit F	Form of Compliance Certificates
Exhibit G	Letter of Commitment and Non-Compete
Exhibit H	Form of Indemnification Agreement
Exhibit I	Form of Management Rights Letter
Exhibit J	Form of New Employment Agreement

**SCHEDULE 1**

**SCHEDULE OF PURCHASERS**

<u>Purchasers</u>	<u>Number of Preferred Shares</u>	<u>Consideration</u>	
<b>Morningside China TMT Fund I, L.P.</b>	62,400,000	US\$	12,000,000
<u>Address for Notices:</u>			
c/o 22/F, Hang Lung Centre, 2-20, Paterson Street, Causeway Bay, Hong Kong			
Fax: +852 2577 3509			
<b>Intel Capital Corporation</b>	52,000,000	US\$	10,000,000
<u>Address for Notices:</u>			
Intel Capital Corporation c/o Intel Semiconductor Ltd. 32/F, Two Pacific Place 88 Queensway, Central Hong Kong Attn: APAC Portfolio Management			
Fax: +852 2240 3775			
With an electronic copy to the following email address: APACportfolio@intel.com			



Principal Place of Business:

2200 Mission College Blvd.  
Santa Clara, CA 95052-8119

<b>Bertelsmann Asia Investments AG</b>	15,600,000	US\$	3,000,000
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Address: Unit 2804-2805, SK Tower,  
6A Jianguomenwai Avenue  
Chaoyang District,  
Beijing 100022, P.R. China

Attn: Yu, Long (□□)  
Fax No.: (8610) 6563-0376

CC: Martin Dannhoff  
Address: Bertelsmann AG,  
Carl-Bertelsmann  
Straße 270, 33311 Gütersloh  
Fax No.: +49 (0) 52 41-80-9324

<b>Total</b>	<b>130,000,000</b>		<b>25,000,000</b>
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**SCHEDULE 2**

**SCHEDULE OF EXISTING SHAREHOLDER**

PHOENIX SATELLITE TELEVISION  
HOLDINGS LIMITED

PHOENIX SATELLITE TELEVISION (B.V.I.) HOLDING LIMITED

Address for Notices:  
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Tai Po, N.T., Hong Kong

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**SCHEDULE 3**

**DEFINITIONS**

“**Affiliate**” means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common Control with such specified Person, including, without limitation, any partner, officer, director, member or employee of such Person and any venture capital fund now or hereafter existing that is controlled by or under common Control with one or more general partners or managing members of, or shares the same management company with, such Person.

“**Agreement**” has the meaning ascribed to it in Preamble to this Agreement.

“**Bertelsmann**” means Bertelsmann Asia Investments AG, including its respective successors and permitted assigns.

“**Breach**” has the meaning set forth in Section 7.1.

“**Board of Directors**” means the Company’s Board of Directors.

“**Budgets**” has the meaning set forth in Section 2.2.

“**Business Day**” means any day, other than a Saturday, Sunday and public holidays in Hong Kong and Beijing on which the commercial banks in Hong Kong and Beijing are generally open for the conduct of regular banking business for the entire duration of normal banking hours.

“**Circular 75**” has the meaning ascribed to it in Section 2.10.

“**Closing**” has the meaning ascribed to it in Section 1.2(a).

“**Closing Account**” has the meaning ascribed to it in Section 1.1(b).

“**Committed Options**” has the meaning ascribed to it in Section 6.3.

“**Company**” has the meaning ascribed to it in the Preamble to this Agreement.

“**Company Intellectual Property**” means all patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, trade secrets, licenses, domain names, mask works, information and proprietary rights and processes as are necessary to the conduct of the Company’s business as now conducted and as presently proposed to be conducted.

“**Company Law**” means the Companies Law (2007 Revision) of the Cayman Islands, as amended.

“**Confidential Information Agreements**” has the meaning ascribed to it in Section 19 of Schedule 5.

“**Contract**” means a legally binding contract, agreement, understanding, indenture, note, bond, loan, instrument, lease, mortgage, franchise or license.

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“**Control**” of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person; the terms “Controlling” and “Controlled” have meanings correlative to the foregoing.

“**Control Documents**” means the following set of contracts in form and substance attached hereto as Exhibit B: the Loan Agreement, Exclusive Technical Consulting and Service Agreement, Equity Pledge Agreement, Call Option Agreement and Voting Trust Agreement to be entered into by the WFOE, either of the Domestic Companies and the relevant shareholders of the Domestic Companies (as applicable).

“**Conversion Shares**” means Ordinary Shares issuable upon conversion of any Series A Preferred Shares.

“**Convertible Securities**” means, with respect to any specified Person, securities convertible or exchangeable into any shares of any class of such specified Person, however described and whether voting or non-voting.

“**Directors**” means the members of the Board of Directors.

“**Disclosing Party**” has the meaning ascribed to it in Section 8.2(c).

“**Disclosure Schedule**” has the meaning ascribed to it in Section 4.

“**Domestic Companies**” has the meaning ascribed to it in Preamble to this Agreement.

“**Domestic Company**” has the meaning ascribed to it in Preamble to this Agreement.

“**Key Employee**” means each of the Persons listed in Schedule 4.

“**Employee Benefit Plans**” has the meaning ascribed to it in Section 16.7 of Schedule 5.

“**Employment Agreement**” has the meaning ascribed to it in Section 2.22.

“**Exclusivity Period**” has the meaning ascribed to it in Section 6.2.

“**Execution Date**” shall mean the date of this Agreement.

“**Existing Shareholder**” has the meaning ascribed to such term in Preamble hereof.

“**Financial Statements**” shall mean the consolidated balance sheet, income statement and statement of cash flows, prepared in accordance with IFRS or PRC GAAP, as required by the context, and applied on a consistent basis throughout the periods indicated. “**Governmental Authority**” means the government of any nation, province, state, city, locality or other political

subdivision of any thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, regulation or compliance, and any corporation or other entity owned or controlled, through share or capital ownership or otherwise, by any of the foregoing.

“**Group Companies**” means the Company, the BVI Co, the WFOE, (and as from the date on which the Control Documents take effect, but not before) each of the Domestic Companies and any other direct or indirect Subsidiary of any Group Company, whether in existence now or in the future, collectively, and “**Group Company**” means any one of them. Notwithstanding the foregoing, Group Companies shall not include PHOENIXi Investment Limited, PHOENIXi INC and Guofeng On-line (Beijing) Information Technology Co., Ltd.(凤凰传媒(北京)信息技术有限公司).

“**GC Product or Service**” has the meaning ascribed to it in Section 8.7 of Schedule 5.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC.

“**HKIAC**” has the meaning ascribed to it in Section 8.15(b).

“**Indemnifiable Loss**” has the meaning set forth in [Section 7.1](#).

“**Indemnitee**” has the meaning set forth in [Section 7.1](#).

“**Intel**” means Intel Capital Corporation, including its respective successors and permitted assigns.

“**Intellectual Property**” means all patents, patent applications, trademarks, service marks, trade names, copyrights, trade secrets, processes, compositions of matter, formulas, designs, inventions, proprietary rights, know-how and any other confidential or proprietary information owned or otherwise used by the Group Companies.

“**Knowledge**” including the phrase “**to the Warrantors’ knowledge**” shall mean the knowledge of the Warrantors after reasonable investigation.

“**Law**” means any constitutional provision, statute or other law, rule, regulation, official policy or interpretation of any Governmental Authority and any injunction, judgment, order, ruling, assessment or writ issued by any Governmental Authority.

“**Lien**” means any mortgage, pledge, claim, security interest, encumbrance, title defect, lien, charge or other restriction or limitation.

“**Material Adverse Effect**” means a material adverse effect on the business, assets (including intangible assets), liabilities, financial condition, property, prospects or results of operations of the Group Companies, taken as a whole.

“**Material Agreements**” has the meaning ascribed to such term in [Section 10.1](#) of [Schedule 5](#).

“**Morningside**” means Morningside China TMT Fund I, L.P., including its respective successors

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and permitted assigns.

“**Order**” means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Authority.

“**Ordinary Share**” has the meaning ascribed to in the Recitals to this Agreement, being an Ordinary Share of par value US\$0.01 each in the share capital of the Company.

“**Party**” or “**Parties**” has the meaning set forth in the Preamble hereof.

“**Permitted Liens**” means (i) Liens for taxes not yet delinquent or the validity of which are being contested and (ii) Liens incurred in the ordinary course of business, which (x) do not in the aggregate materially detract from the value of the assets that are subject to such Liens and (y) were not incurred in connection with the borrowing of money.

“**Person**” means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.

“**PRC**” or “**China**” means the Peoples’ Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan.

“**Preferred Share**” has the meaning ascribed to it in [Section 1.1](#), being a convertible Series A Preferred Share of par value of US\$0.01 each in the share capital of the Company.

“**Projections**” has the meaning ascribed to such term in [Section 24](#) of [Schedule 5](#).

“**Public Official**” means an employee of a Governmental Authority, a member of a political party, a political candidate, an officer of a public international organization, or an officer or employee of a state-owned enterprise, including a PRC state-owned enterprise.

“**Public Software**” has the meaning ascribed to it in [Section 8.7](#) of [Schedule 5](#).

“**Purchasers**” has the meaning ascribed to such term in Preamble hereof.

“**Related Party Transaction**” means any transaction between any Group Company on the one hand, and the Existing Shareholder, or any Affiliate of the Existing Shareholder on the other hand, other than transactions arising in the ordinary course of an employer/employee relationship.

“**Reserve**” or “**Reservation**” has the meaning ascribed to such term in [Section 4](#) of [Schedule 5](#).

“**Restated Articles**” has the meaning ascribed to such term in [Section 2.14](#).

“**Restricted Securities**” has the meaning ascribed to such term in [Section 5](#) of [Schedule 7](#).

“**RMB**” means the Renminbi, the lawful currency of the PRC.

“**SAFE**” has the meaning ascribed to it in [Section 2.12](#).

“**SEC**” means Securities and Exchange Commission of the United States of America.

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“**Securities Act**” means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (or comparable Laws in jurisdictions other than the United States).

“**Series A Director**” has the meaning ascribed to such term in the Shareholders’ Agreement.

“**Series A Preferred Shares**” means the Preferred Shares.

“**Shareholders’ Agreement**” means the agreement proposed to be entered into among the Company, the Existing Shareholder, the Purchasers and certain other parties thereto, in the form of Exhibit A attached to this Agreement.

“**Share Plan**” has the meaning ascribed to such term in Section 6.3.

“**Statement Date**” has the meaning ascribed to it in Section 14 of Schedule 5 to this Agreement.

“**Subsidiary**” or “**subsidiary**” means, as of the relevant date of determination, with respect to any Person (the “**subject entity**”), (i) any Person (x) more than 50% of whose shares or other interests entitled to vote in the election of directors or (y) more than a 50% interest in the profits or capital of such Person are owned or controlled directly or indirectly by the subject entity or through one (1) or more Subsidiaries of the subject entity, (ii) any Person whose assets, or portions thereof, are consolidated with the net earnings of the subject entity and are recorded on the books of the subject entity for financial reporting purposes in accordance with the financial reporting standards adopted by the subject entity, or (iii) any Person with respect to which the subject entity has the power to otherwise direct the business and policies of that entity directly or indirectly through another subsidiary. For the avoidance of doubt, the Subsidiaries of the Company shall include the Group Companies.

“**Transaction Documents**” means this Agreement, the Shareholders’ Agreement, and any other agreements, instruments or documents entered into in connection with this Agreement.

“**Transaction Terms**” has the meaning ascribed to such term in Section 8.2(a).

“**US\$**” means the United States dollar, the lawful currency of the United States of America.

“**Warrantors**” has the meaning ascribed to such term in Section 4.

“**WFOE**” has the meaning ascribed to it in Preamble to this Agreement.

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#### SCHEDULE 4

#### SCHEDULE OF KEY EMPLOYEES

- — WFOE, CEO
- - WFOE, COO&CFO
- - WFOE, Vice President
- - WFOE, Vice President
- - Chief Editor
- - WFOE, Vice President
- - WFOE, Vice President
- - WFOE, Vice President
- - WFOE, Vice President

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#### SCHEDULE 5

#### REPRESENTATIONS AND WARRANTIES OF THE WARRANTORS

1. Organization, Good Standing, Corporate Power and Qualification.

Each Group Company is a corporation duly organized, validly existing and in good standing under the laws of their jurisdiction of incorporation and except as set forth in Section 1 of the Disclosure Schedule, has all requisite corporate power and authority to carry on its business as presently conducted and as proposed to be conducted. Each Group Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect.

2. Capitalization of the Company.

2.1 The authorized capital of the Company consists, immediately prior to the Closing, of:

- (a) 870,000,000 Ordinary Shares, of which 322,345,437 shares are issued and outstanding, immediately prior to the Closing. All of the outstanding Ordinary Shares have been duly authorized, are fully paid and nonassessable and were issued in compliance with all applicable securities laws. The Company holds no treasury shares.

- (b) 130,000,000 Preferred Shares, of which 130,000,000 shares have been designated Series A Preferred Shares, none of which are issued and outstanding immediately prior to the Closing. The rights, privileges and preferences of the Preferred Shares are as stated in the Restated Articles and as provided by the Company Law.
- 2.2 The Company has adopted the Share Plan. The authorized share capital of the Company is sufficient for the issue of Ordinary Shares which fall to be issued upon exercise of options granted (including the Committed Options) and which may be granted to eligible persons under the Share Plan.
- 2.3 Schedule 8 sets forth the capitalization of the Company immediately following the Closing including the number of shares of the following: (i) issued and outstanding Ordinary Shares, including, with respect to restricted Ordinary Shares, vesting schedule and repurchase price; (ii) issued and granted stock options; (iii) stock options not yet issued but reserved for issuance, including vesting schedule and exercise price; (iv) each series of Preferred Shares; and (v) warrants or stock purchase rights, if any. Except for (A) the conversion privileges of the Shares to be issued under this Agreement, (B) the rights provided in the Shareholders' Agreement, and (C) the securities and rights described in Section 2.2 of this Schedule 5, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from the Company any Ordinary Share or Series A Preferred Share, or any securities convertible into or exchangeable for Ordinary Share or Series A Preferred Share.
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- 2.4 The Company is the sole legal and beneficial owner of one hundred percent (100%) of the equity interest of the BVI Co. The BVI Co is the sole legal and beneficial owner of one hundred percent (100%) of the equity interest of the WFOE.
- 2.5 Section 2.5 of the Disclosure Schedule list the legal and beneficial owners of the Ordinary Shares of the Company.
- 2.6 Qiao Haiyan and Gao Ximin own fifty one percent (51%) and forty nine percent (49%) of the outstanding equity of Tian Ying respectively.
- 2.7 He Yansheng and Liu Yinxia own sixty percent (60%) and forty percent (40%) of the outstanding equity of Yi Feng respectively.

3. Subsidiaries.

Except as set forth in Section 3 of the Disclosure Schedule and the Control Documents, the Company and each Group Company do not currently own or control, directly or indirectly, any interest in any other company, corporation, partnership, trust, joint venture, association, or other business entity. Except as set forth in Section 3 of the Disclosure Schedule, neither the Company nor any Group Company is a participant in any joint venture, partnership or similar arrangement.

4. Authorization.

All corporate action required to be taken by each Group Company's board of directors and shareholders in order to authorize each respective Group Company to enter into the Transaction Documents to which each such Group Company is a party, and to issue the Preferred Shares at the Closing and the Conversion Shares, has been taken or will be taken prior to the Closing. All action on the part of the officers of each Group Company necessary for the execution and delivery of the Transaction Documents, the performance of all obligations of such Group Company under the Transaction Documents to be performed as of the Closing, and the issuance and delivery of the Series A Preferred Shares has been taken or will be taken prior to the Closing. The Transaction Documents, when executed and delivered by each Group Company, shall constitute valid and legally binding obligations of each Group Company, enforceable against each Group Company in accordance with their respective terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, or (iii) to the extent the indemnification provisions contained in the Shareholders' Agreement and the Indemnification Agreement may be limited by applicable securities laws. The issuance of any Series A Preferred Shares or Conversion Shares is not subject to any preemptive rights or rights of first refusal, or if any such preemptive rights or rights of first refusal exist, waiver of such rights has been obtained from the holders thereof. For the purpose only of this Agreement, "reserve," "reservation" or similar words with respect to a specified number of Ordinary Shares or Series A Preferred Shares of the Company shall mean that the Company shall, and the

Board of Directors shall procure that the Company shall, refrain from issuing such number of shares so that such number of shares will remain in the authorized but unissued share capital of the Company until the conversion rights of the holders of any Convertible Securities exercisable for such shares are exercised in accordance with the Restated Articles or otherwise.

5. Valid Issuance of Shares.

- 5.1 The Preferred Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under the this agreement, the Shareholders' Agreement, applicable securities laws and liens or encumbrances created by or imposed by the Purchaser. Subject in part to the accuracy of the representations of the Purchasers in Schedule 7 of this Agreement, the Preferred Shares will be issued in compliance with all applicable securities laws. The Conversion Shares have been duly reserved for issuance, and upon issuance in accordance with the terms of the Restated Articles, will be validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under the Transaction Documents, applicable securities laws and liens or encumbrances created by or imposed by a Purchaser. The Conversion Shares will be issued in compliance with all applicable securities laws.
- 5.2 All presently outstanding Ordinary Shares of the Company were duly and validly issued, fully paid and non-assessable, and are free and clear of any liens and free of restrictions on transfer (except for any restrictions on transfer under applicable securities laws) and have been issued in compliance in all material respects with the requirements of all applicable securities laws and regulations.

6. Governmental Consents and Filings.

No consent, approval, order or authorization of or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Company is required in connection with the valid execution, delivery and consummation of the transactions contemplated by this Agreement, Shareholder's Agreement or the offer, sale, issuance or reservation for issuance of the Series A Preferred Shares and the Ordinary Shares.

7. Litigation.

Save as set out in the Section 7 of Disclosure Schedule, there is no claim, action, suit, proceeding, arbitration, complaint, charge or investigation pending or to the Warrantors' knowledge, currently threatened (i) against any Group Company or any officer, director or Employee of any Group Company that would either individually or in aggregate, reasonably be expected to have a Material Adverse Effect; or (ii) to the Warrantors' knowledge, that questions the validity of the Transaction Documents or the right of any Group Company to enter into them, or to consummate the transactions contemplated by the Transaction Documents. None of the Group Companies, and to the Warrantors'

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Knowledge, its officers or directors, is a party or is named as subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality which would either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. There is no action, suit, proceeding or investigation by any Group Company pending or which any Group Company intends to initiate. The foregoing includes, without limitation, actions, suits, proceedings or investigations pending or threatened in writing (or any basis therefor known to the Warrantors') involving the prior employment of any of the Group Company's employees, their services provided in connection with Group Company's business, or any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers.

8. Intellectual Property.

8.1 Each Group Company owns or possesses sufficient legal rights to (i) all trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and proprietary rights and processes and (ii) to the Warrantors' knowledge, all patents and patent rights, as are necessary to the conduct of such Group Company's business as now conducted and as presently proposed to be conducted, without any known conflict with, or infringement of, the rights of others. Section 8.1 of the Disclosure Schedule contains a complete and accurate list of all Intellectual Property owned, licensed to or used by each Group Company, whether registered or not, and a complete and accurate list of all licenses granted by such Group Company to any third party with respect to any Intellectual Property. To the Warrantors' knowledge, no product or service marketed or sold (or proposed to be marketed or sold) by any Group Company violates or will violate any license or infringe any intellectual property rights of any other party.

8.2 Except as set forth in Section 8.2.1 of the Disclosure Schedule, no Group Company has received any communications alleging that any Group Company has violated or, by conducting its business, would violate any of the patents, trademarks, service marks, trade names, copyrights, trade secrets or other proprietary rights or processes of any other person or entity. Except as set forth in Section 8.2.2 of the Disclosure Schedule, each Group Company has obtained and possesses valid licenses to use all of the software programs present on the computers and other software-enabled electronic devices that it owns or leases or that it has otherwise provided to its employees for their use in connection with such Group Company's business. To the Warrantors' knowledge, it will not be necessary to use any inventions of any of its employees (or persons it currently intends to hire) made prior to their employment by a Group Company. To the Warrantors' Knowledge, each Employee has assigned to the Group Companies all intellectual property rights he or she owns that are related to the Group Companies' business as now conducted. Section 8.2.2 of the Disclosure Schedule lists all patents, patent applications, registered trademarks, trademark applications, registered service marks, service mark applications, registered copyrights and domain names of each Group Company.

8.3 Except as set forth in the Exclusive Cooperation Agreement as provided in Section 2.11, other than with respect to commercially available software products under standard end-

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user object code license agreements, there are no outstanding options, licenses, agreements, claims, encumbrances or shared ownership interests of any kind relating to the foregoing, nor is any Group Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, proprietary rights and processes of any other person or entity.

8.4 No proceedings or claims in which any Group Company alleges that any person is infringing upon, or otherwise violating, its Intellectual Property rights are pending, and none has been served, instituted or asserted by any Group Company.

8.5 To the Warrantors' Knowledge, none of the employees of any Group Company is obligated under any Contract (including a Contract of employment), or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her best efforts to promote the interests of the Company Group, or that would conflict with the business of any Group Company as presently conducted. To the Warrantors' Knowledge, it will not be necessary to utilize in the course of the any Group Company's business operations any inventions of any of the employees of any Group Company made prior to their employment by the such Group Company, except for inventions that have been validly and properly assigned or licensed to such Group Company as of the date hereof.

8.6 Each Group Company has taken reasonable security measures that in the judgment of such Person are commercially prudent in order to protect the secrecy, confidentiality, and value of its material Intellectual Property.

9. Compliance with Other Instruments.

None of the Group Companies is in violation or default (i) of any provisions of its Memorandum of Association (if any), Articles of Association or any other applicable constitutional document, (ii) of any instrument, judgment, order, writ or decree, (iii) under any note, indenture or mortgage, or

(iv) under any lease, agreement, contract or purchase order to which it is a party or by which it is bound that is required to be listed on the Disclosure Schedule, or, of any provision of statute, rule or regulation applicable to such Group Company, the violation of which would either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated by the Transaction Documents will not result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either (i) a default under any such provision, instrument, judgment, order, writ, decree, contract or agreement or (ii) an event which results in the creation of any lien, charge or encumbrance upon any assets of any Group Company or the suspension, revocation, forfeiture, or nonrenewal of any material permit or license applicable to any Group Company, which would either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

10. Agreements; Actions.

10.1 Save for the agreements set out in Section 10.1 of the Disclosure Schedule (the “**Material Agreements**”) and the Transaction Documents, there are no other agreements, understandings, instruments, contracts or proposed transactions to which any Group Company is a party or by which it is bound that involve (i) obligations (contingent or otherwise) of, or payments to, any Group Company in excess of RMB400,000, (ii) the transfer or license of any patent, copyright, trade secret or other proprietary right to or from any Group Company, other than from or to another Group Company or from the Existing Shareholder to a Group Company, (iii) the grant of rights to manufacture, produce, assemble, license, market, or sell its products to any other person or affect any Group Company’s exclusive right to develop, manufacture, assemble, distribute, market or sell its products, or (iv) indemnification by any Group Company with respect to infringements of proprietary rights. All the Material Agreements are valid, binding and enforceable obligations of the parties thereto and the terms thereof have been complied with by the relevant Group Company in all material respects, and to the Warrantors’ Knowledge, by all the other parties thereto in all material respects. There are to the Warrantors’ Knowledge, no circumstances likely to give rise to any material breach of such terms, no grounds for rescission, avoidance or repudiation of any of the Material Agreements which would have a Material Adverse Effect and no notice of termination or of intention to terminate has been received in respect of any Material Agreement.

10.2 Save as set out in Section 10.2 of the Disclosure Schedule, the Company has not declared or paid any dividends, or authorized or made any distribution upon or with respect to any class of its share capital, and no Group Company has (i) incurred any indebtedness for money borrowed or incurred any other liabilities individually in excess of RMB400,000, (ii) made any loans or advances to any person, other than ordinary advances for travel expenses and trade receivables in the ordinary course of business, or (iii) sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the ordinary course of business or otherwise envisaged in this Agreement. For the purposes of Sections 10.1 and 10.2 of this Schedule 5 all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsection.

10.3 Except as set forth in Section 10.3 of the Disclosure Schedule, no Group Company is a guarantor or indemnitor of any indebtedness of any other person, firm or corporation that is not a Group Company.

10.4 Save as set out in Section 10.4 of the Disclosure Schedule or in connection with this Agreement and the other Transaction Documents, no Group Company has engaged in the past three (3) months in any discussion with any representative of any corporation, partnership, trust, joint venture, limited liability company, association or other entity, or any individual, regarding (i) a sale of all or substantially all of such Group Company’s assets, or (ii) any merger, consolidation or other business combination transaction of such Group Company with or into another corporation, entity or person.

11. Conflict of Interest.

11.1 Other than (i) standard employee benefits generally made available to all employees, (ii) the Indemnification Agreement in favor of the Series A Director in the form attached hereto as Exhibit H, and (iii) the purchase of the Company’s share capital in accordance with applicable law, and the issuance of options to purchase the Company’s Ordinary Shares, in each instance, disclosed in Section 11.1 of the Disclosure Schedule, there are no agreements, understandings or proposed transactions between any Group Company and any of its officers, directors, consultants or Employees, or any Affiliate thereof, respectively.

11.2 No Group Company is indebted, directly or indirectly, to any of its directors, officers or employees or to their respective spouses or children or to any Affiliate of any of the foregoing, other than in connection with expenses or advances of expenses incurred in the ordinary course of business or employee relocation expenses. None of the Group Companies’ directors, officers or employees, or any members of their immediate families, or any Affiliate of the foregoing (i) are, directly or indirectly, indebted to any Group Company or, (ii) to the Warrantors’ knowledge, have any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which any Group Company has a business relationship, or any firm or corporation which competes with any Group Company except that directors, officers or employees or shareholders of the Company may own shares in (but not exceeding one percent (1%) of the outstanding shares of) publicly traded companies that may compete with any Group Company. To the Warrantors’ knowledge, none of the Group Companies’ employees or directors or any members of their immediate families or any Affiliate of any of the foregoing are, directly or indirectly, interested in any contract with any Group Company. To the Warrantors’ knowledge, none of the directors or officers, or any members of their immediate families, has any material commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationship with any of the Group Companies’ five (5) largest business relationship partners, service providers, joint venture partners, licensees and competitors.

12. Rights of Registration and Voting Rights.

Except as provided in the Shareholders’ Agreement, no Group Company is under any obligation to register under the Securities Act or any other applicable securities laws, any of its currently outstanding securities or any securities issuable upon exercise or conversion of its currently outstanding securities. To the Warrantors’ knowledge, except as contemplated in the Shareholders’ Agreement, no shareholder of any Group Company has entered into any agreements with respect to the voting of shares in the capital of the Company. Except as contemplated by or disclosed

in the Transaction Documents, the Existing Shareholder is not a party to or does not have any knowledge of any agreements, written or oral, relating to the acquisition, disposition, registration under the Securities Act, or voting of the shares or securities of any Group Company.

13. Absence of Liens.

Except as provided in Section 13 of the Disclosure Schedule, the property and assets owned by the Group Companies are free and clear of all mortgages, deeds of trust, liens,

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loans and encumbrances, except for statutory liens for the payment of current taxes that are not yet delinquent and encumbrances and liens that arise in the ordinary course of business and do not materially impair the Group Companies' ownership or use of such property or assets. With respect to the property and assets it leases, each Group Company is in compliance with such leases in all material respects and, to the Warrantors' knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances other than those of the lessors of such property or assets.

14. Financial Statements.

Each of the Domestic Companies has delivered to the Purchasers its audited Financial Statements as of December 31, 2008 and for the fiscal year ended December 31, 2008 (the "**Statement Date**") and its unaudited Financial Statements as of June 30, 2009 and for the 6 month period ended June 30, 2009. The Financial Statements fairly present in all material respects the financial condition and operating results of such Domestic Company as of the dates, and for the periods, indicated therein, subject in the case of the unaudited Financial Statements to normal year-end audit adjustments. Except as set forth in the Financial Statements, such Domestic Company has no material liabilities or obligations, contingent or otherwise, as of the Statement Date, other than (i) liabilities incurred in the ordinary course of business subsequent to the Statement Date; (ii) obligations under contracts and commitments incurred in the ordinary course of business and (iii) liabilities and obligations of a type or nature not required under generally accepted accounting principles to be reflected in the Financial Statements, which, in all such cases, individually and in the aggregate would not have a Material Adverse Effect. Each of the Domestic Companies maintains and will continue to maintain a standard system of accounting established and administered in accordance with generally accepted accounting principles.

15. Changes.

Since the Statement Date, except as set forth in Section 15 of the Disclosure Schedule or as contemplated by this Agreement or the Transaction Documents, there has not been:

- (a) any change in the assets, liabilities, financial condition or operating results of any Group Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not caused, in the aggregate, a Material Adverse Effect on a Group Company;
- (b) any damage, destruction or loss, whether or not covered by insurance, that would have a Material Adverse Effect on a Group Company;
- (c) any waiver or compromise by any Group Company of a valuable right or of a material debt owed to it;
- (d) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by any Group Company, except in the ordinary course of business

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and the satisfaction or discharge of which would not have a Material Adverse Effect;

- (e) any material change to a material contract or agreement by which any Group Company or any of its assets is bound or subject;
- (f) any material change in any compensation arrangement or agreement with any Key Employee or director;
- (g) any resignation or termination of employment of any Key Employee of any Group Company;
- (h) any mortgage, pledge, transfer of a security interest in, or lien, created by any Group Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable and liens that arise in the ordinary course of business and do not materially impair such Company's ownership or use of such property or assets;
- (i) any dividend, loans or guarantees made by any Group Company to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;
- (j) any declaration, setting aside or payment or other distribution in respect of any Group Company's share capital, or any direct or indirect redemption, purchase, or other acquisition of any of such shares by any Group Company;
- (k) any sale, assignment or transfer of any Group Company Intellectual Property that could reasonably be expected to result in a Material Adverse Effect;
- (l) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of any Group Company;
- (m) to the Warrantors' knowledge, any other event or condition of any character, other than events affecting the economy or the Company's industry generally, that could reasonably be expected to result in a Material Adverse Effect; or
- (n) any arrangement or commitment by the Company to do any of the things described in this Section 15.



16. Employee Matters.

- 16.1 As of November 9, 2009, the Group Companies employ 511 full-time employees and 52 part-time employees and engages three (3) consultants or independent contractors.
- 16.2 To the Warrantors' knowledge, no employee of any Group Company is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative

agency, that would materially interfere with such employee's ability to promote the interest of the Group Companies or that would conflict with the Group Companies' business. Neither the execution or delivery of the Transaction Documents, nor the carrying on of the Company's business by the employees of the Group Companies, nor the conduct of the business as now conducted and as presently proposed to be conducted, will, to the Warrantors' knowledge, conflict with or result in a breach of the terms, conditions, or provisions of, or constitute a default under, any contract, covenant or instrument under which any such employee is now obligated.

- 16.3 No Group Company is delinquent in payments to any of its employees, consultants, or independent contractors for any wages, salaries, commissions, bonuses, or other direct compensation for any service performed for it to the date hereof or amounts required to be reimbursed to such employees, consultants, or independent contractors. Each Group Company has complied in all material respects with all applicable laws related to employment, including those related to wages, hours, worker classification, and collective bargaining, and the payment and withholding of taxes and other sums as required by law except where noncompliance with any applicable law would not result in a Material Adverse Effect. Each Group Company has withheld and paid to the appropriate governmental entity or is holding for payment not yet due to such governmental entity all amounts required to be withheld from employees of such Group Company and is not liable for any arrears of wages, taxes, penalties, or other sums for failure to comply with any of the foregoing.
- 16.4 To the Warrantors' knowledge, no Key Employee intends to terminate employment with any Group Company or is otherwise likely to become unavailable to continue as an employee, nor does any Group Company have a present intention to terminate the employment of any of the foregoing. Except as set forth in Section 16.4 of the Disclosure Schedule or as required by law, upon termination of the employment of any such Key Employees, no severance or other payments will become due. Except as set forth in Section 16.4 of the Disclosure Schedule, the Company has no policy, practice, plan, or program of paying severance pay or any form of severance compensation in connection with the termination of employment services.
- 16.5 The Company has not made any representations regarding equity incentives to any officer, employees, director or consultant that are inconsistent with the share amounts and terms set forth in the Company's board minutes and relevant offers of grant made pursuant to the Share Plan.
- 16.6 Each former employee whose employment was terminated by the Company has entered into an agreement with the Company providing for the full release of any claims against the Company or any related party arising out of such employment, provided that the claimed amount (whether individually or in the aggregate) relating to any such claims by such former employee(s) exceeds US\$100,000.
- 16.7 Section 16.7 of the Disclosure Schedule sets forth each and every employee benefit plan maintained, established or sponsored by any Group Company, or in which any Group Company participates in or contributes to in any jurisdiction, including without

limitation, the PRC (the "**Employee Benefit Plans**"). Save as set out in Section 16.6 of the Disclosure Schedule, there is no other pension, retirement, profit-sharing, deferred compensation, bonus, incentive or other employee benefit program, arrangement, agreement or understanding to which any Group Company contributes, is bound, or under which any employees or former employees (or their beneficiaries) are eligible to participate or derive a benefit. Each Group Company has made all required contributions under all the Employee Benefit Plans including without limitation all contributions required to be made under the PRC social insurance and housing schemes, and has complied in all material respects with all applicable laws of any jurisdiction, in relation to the Employee Benefit Plans.

- 16.8 No Group Company is bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the Warrantors' knowledge, has sought to represent any of the employees, representatives or agents of any Group Company. There is no strike or other labor dispute involving any Group Company pending, or to the Warrantors' knowledge, threatened, which could have a Material Adverse Effect, nor is the Company aware of any labor organization activity involving its employees.
17. Tax Matters.
- 17.1 The provisions for taxes as shown on the balance sheet included in the Financial Statements are sufficient in all material respects for the payment of all accrued and unpaid applicable taxes of the Group Companies as of the date of each such balance sheet, whether or not assessed or disputed as of the date of each such balance sheet. Except as set forth in Section 17 of the Disclosure Schedule, there have been no extraordinary examinations or audits of any tax returns or reports by any applicable Governmental Authority. Except as set forth in Section 17 of the Disclosure Schedule, each Group Company has filed or caused to be filed on a timely basis all tax returns that are or were required to be filed (to the extent applicable), all such returns are correct and complete, and each Group Company has paid all taxes that have become due, or regarding the Domestic Companies, have reflected such taxes in accordance with PRC GAAP as a reserve for taxes on the Financial Statements, except where the failure to make such payment would not cause a Material Adverse Effect. There are in effect no waivers of applicable statutes of limitations with respect to taxes for any year.
- 17.2 To the Warrantors' knowledge, no shareholder of any member of a Group Company, solely by virtue of its status as shareholder of such Group Company, have personal liability under local law for the debts and claims of such Group Company. There has been no communication from any tax

authority relating to or affecting the tax classification of any member of the Company Group.

18. Insurance.

Section 18 of the Disclosure Schedule provides a complete list of each Group Company's insurance policies currently in effect. No Group Company has done or omitted to do or

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suffered anything to be done or not to be done other than any acts in the ordinary course of business which has or would render any policies of insurance taken out by it or by any other person in relation to any of such Group Company's assets void or voidable or which would result in an increase in the rate of premiums on the said policies and there are no claims outstanding and no circumstances which would give rise to any claim under any of such policies of insurance.

19. Confidential Information and Invention Assignment Agreements.

As of October 31, 2009, except 223 employees, whose names are listed in Section 19 of the Disclosure Schedule, each current employee, consultant and officer of the Company or any Group Company has executed an agreement with the Company of Group Company regarding confidentiality and proprietary information substantially in the form or forms delivered to the counsel for the Purchasers (the "**Confidential Information Agreements**"). No current employee has excluded works or inventions from his or her assignment of inventions pursuant to such employee's Confidential Information Agreement. The Company and any Group Company are not aware that any of their Key Employees is in violation thereof.

20. Governmental and Other Permits.

Except as set forth in Section 20 of the Disclosure Schedule, each Group Company has all franchises, governmental permits, licenses and any similar authority necessary for the conduct of its business. No Group Company is in default in any material respect under any of such franchises, governmental permits, licenses or other similar authority.

21. Corporate Documents.

The memorandum of association, articles of association, and all other constitutional documents (or analogous constitutional documents) of each Group Company are in the form provided to the Purchasers. The copy of the minute books of the Company provided to the Purchasers contains minutes of all meetings of directors and shareholders and all actions by written consent without a meeting by the directors and shareholders since the date of incorporation and accurately reflects in all material respects all actions by the directors (and any committee of directors) and shareholders with respect to all transactions referred to in such minutes.

22. Liabilities.

Except as set forth in Section 22 of the Disclosure Schedule or arising under the instruments set forth in Section 10 of the Disclosure Schedule, the Company has no liabilities of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due, except for (i) liabilities set forth in the Financial Statements, (ii) trade or business liabilities incurred in the ordinary course of business, and (iii) other liabilities that do not exceed US\$50,000 in the aggregate.

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23. Compliance with Laws.

23.1 Except as set forth in Section 20 and Section 23.1 of the Disclosure Schedule, each Group Company is in material compliance with all applicable Laws applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets or properties.

23.2 Except as set forth in Section 23.2 of the Disclosure Schedule, no event has occurred and no circumstance exists that to the Warrantors' knowledge (i) may constitute or result in a violation by any Group Company, or a failure on the part of any Group Company to comply with any Law, or (ii) may give rise to any obligation on the part of any Group Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature, except for such violations or failures by a Group Company that, individually or in the aggregate, would not result in any Material Adverse Effect.

23.3 No Group Company has received any written notice from any Governmental Authority regarding (i) any actual, alleged or likely material violation of, or material failure to comply with, any Law, or (ii) any actual, alleged or likely material obligation on the part of any Group Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

23.4 To the Warrantors' knowledge, none of the directors of any Group Company or the Key Employees has been (i) subject to voluntary or involuntary petition under any applicable bankruptcy Laws or any applicable insolvency Law or the appointment of a manager, receiver, fiscal agent or similar officer by a court for his or her business or property, or any partnership in which he or she was a general partner or any corporation or business association of which he or she was an executive officer; (ii) convicted in a criminal proceeding or named as a subject of a pending criminal proceeding (excluding traffic violations and other minor offenses); (iii) subject to any order, judgment or decree (not subsequently reversed, suspended, or vacated) of any court of competent jurisdiction permanently or temporarily enjoining him from engaging, or otherwise imposing limits or conditions on his engagement in any securities, investment advisory, banking, insurance, or other type of business or acting as an officer or director of a public company; or (iv) found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated any applicable securities, commodities, or unfair trade practices Law, which such judgment or finding has not been subsequently reversed, suspended, or vacated.

24. Disclosure; Projections.

The Company has made available to the Purchasers all the information reasonably available to the Company that the Purchasers have requested for deciding whether to acquire the Preferred Shares, including certain of the Company's financial projections (the "**Projections**"), each of which were prepared in good faith. To the Warrantors' knowledge, no representation or warranty of any Warrantor contained in this Agreement, as qualified by the Disclosure Schedule, and no certificate furnished or to be furnished to the Purchasers at the Closing contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

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25. Use of Proceeds Plan and Budget.

The Company has delivered to the Purchasers on or before the Closing the Budgets in accordance with Section 2.2. Such Business Plan was prepared in good faith based upon assumptions and projections which the Existing Shareholder believes are reasonable and not materially misleading.

26. Related Party Transactions.

Except as set forth in Section 26 of the Disclosure Schedule, there are no Related Party Transactions. No related party is indebted to the any Group Company, nor is such Group Company indebted (or committed to make loans or extend or guarantee credit) to any related party. No related party has any direct or indirect ownership in any business entity with which any Group Company is affiliated or with which such Group Company has a business relationship, or any business entity that competes with such Group Company.

27. Entire Business.

There are no material facilities, services, assets or properties shared with any entity other than the Group Company which are used in connection with the business of each of the Domestic Companies.

28. Compliance with Export and Trade Laws.

Each Group Company is in full compliance with all applicable United States and foreign government laws and regulations concerning the exportation of any products, technology, technical data and services, including those administered by, without limitation, the United States Department of Commerce, the United States Department of State, and the United States Department of the Treasury. Each Group Company is also in full compliance with United States and international economic and trade sanctions, including those administered by the Office of Foreign Assets Control ("**OFAC**") within the United States Department of the Treasury. Each Group Company is also in full compliance with the anti-boycott regulations administered by the United States Department of Commerce, the Foreign Corrupt Practices Act, and all laws and regulations administered by the Bureau of Customs and Border Protection in the United States Department of Homeland Security.

29. No Restricted Persons.

No investor, shareholder, partner, officer, director or employee of any Group Company is identified on any of the following documents: (1) the Office of Foreign Assets Control of the United States Department of the Treasury list of "Specially Designated Nationals and Blocked Persons" ("**SDNs**"); (2) the Bureau of Industry and Security of the United States Department of Commerce "Denied Persons List", "Entity List" or "Unverified List"; (3) the Office of Defense Trade Controls of the United States Department of State "List of Debarred Parties"; (4) the Financial Sanctions Unit of the Bank of England "Consolidated List"; (5) the Solicitor General of Canada's "Anti-Terrorism Act Listed Entities"; (6) the Australian Department of Foreign Affairs and Trade "Charter of the United Nations

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(Anti-terrorism - Persons and Entities) List"; (7) the United Nations Security Council Counter-Terrorism Committee "Consolidated List"; or (8) European Union Commission Regulation No. 1996/2001 of October 11, 2001. No Group Company is involved in business arrangements or otherwise engages in transactions with or involving countries subject to economic or trade sanctions imposed by the United States Government, or with or involving SDNs or Cuban nationals in violation of the regulations maintained by OFAC.

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**SCHEDULE 6**

**DISCLOSURE SCHEDULE**

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**DISCLOSURE SCHEDULE**

November 9, 2009

This Disclosure Schedule is made and given pursuant to Section 4 of the Preferred Share Purchase Agreement dated as of November 9, 2009 (the "**Purchase Agreement**") by and among PHOENIX NEW MEDIA LIMITED, an exempted company duly incorporated and validly existing under the Laws of the Cayman Islands (the "**Company**"); the purchasers listed on Schedule 1 in the Purchase Agreement (each a "**Purchaser**" and together the

“Purchasers”); the Persons listed on Schedule 2 in the Purchase Agreement (collectively, the “Existing Shareholder”); PHOENIX SATELLITE TELEVISION INFORMATION LIMITED, a company organized and existing under the Laws of the British Virgin Islands (the “BVI Co”); BEIJING TIANYING JIUZHOU NETWORK TECHNOLOGY CO., LTD., a domestic company duly incorporated and validly existing under the Laws of the PRC (“Tian Ying”); YI FENG LIAN HE (BEIJING) TECHNOLOGY CO., LTD., a domestic company duly incorporated and validly existing under the Laws of the PRC (“Yi Feng”); and FENGHUANG ON-LINE (BEIJING) INFORMATION TECHNOLOGY CO., LTD., a wholly owned foreign enterprise incorporated under the Laws of the PRC (the “WFOE”) whose equity is 100% owned by the BVI Co., and should be considered an integral part of the Purchase Agreement.

Unless the context otherwise requires, all capitalized terms that are used herein but not otherwise defined shall have the meanings attributed to them in the Purchase Agreement.

The section numbers in this Disclosure Schedule correspond to the section numbers on Schedule 5 of the Purchase Agreement; provided, however, that any information disclosed herein under any section number shall be deemed disclosed and incorporated into any other sections hereof only to the extent that it is reasonably manifestly apparent from a reading of the disclosure that such disclosure is applicable to such other sections, and a specific cross reference shall be included.

The headings contained in this Disclosure Schedule are included for convenience only and are not intended to limit the effect of the disclosures contained in this Disclosure Schedule or to expand the scope of the information required to be disclosed in this Disclosure Schedule.

**Section 1**

(a) Tian Ying

- (i) Tian Ying hasn’t obtained (i) License for Transmission of Audio-Video Programs Via Internet [REDACTED], (ii) Internet

Culture Operating License [REDACTED], (iii) Permit for Internet News Service [REDACTED], and (iv) License for Publication Via Internet [REDACTED].

- (ii) The legal representative on Short Messaging Service Access Code Certificate [REDACTED] has not been changed from LIU Qinghua [REDACTED] to QIAO Haiyan [REDACTED].
- (iii) The status of filings with 31 provincial branches of Ministry of Industry and Information Technology of the People’s Republic of China (“MIIT”) by Tian Ying in relation to the ICP registration and telecom number registration has been set forth in Exhibit 1 Status of Registration with Local Branches of MIIT attached hereto.
- (iv) The following branches of Tian Ying have not obtained the certificates set forth opposite each branch:

Branch	Certificate
Guangzhou Branch	Organizational Institute Code Certificate State Tax Certificate Local Tax Certificate
Tianjin Branch	State Tax Certificate

- (v) The business license of Xi’an Branch of Tian Ying is still under annual inspection for year 2008 by local administration for commerce and industry.

(b) Yi Feng

- (i) The legal representative on Short Messaging Service Access Code Certificate [REDACTED] has not been changed from SHANG Kena [REDACTED] to HE Yansheng [REDACTED].
- (ii) The status of filings with 31 provincial branches of MIIT by Yi Feng in relation to the ICP registration and telecom number registration has been set forth in Exhibit 1 Status of Registration with Local Branches of MIIT attached hereto.

- (iii) The following branches of Yi Feng have not obtained the certificates set forth opposite each branch:

Branch	Certificate
Harbin Branch	State Tax Certificate
Wuhan Branch	State Tax Certificate
Nanjing Branch	Organizational Institute Code Certificate State Tax Certificate Local Tax Certificate
Lanzhou Branch	Organizational Institute Code Certificate State Tax Certificate Local Tax Certificate

**Section 2.6**

### Section 3

A list of Group Companies and its Subsidiaries has been set forth in [Exhibit 3 Group Companies and its Subsidiaries](#) attached hereto.

### Section 7

- (a) OPG Human Resources Limited (“**OPG**”) initiated a lawsuit to the High Court of the Hong Kong Special Administrative Region against Phoenix Satellite Television Holdings Limited (“**Phoenix Holdings**”) and the Company on May 7, 2009. OPG alleged that Phoenix Holdings and the Company infringe their copyright on certain articles and photos originally published on Oriental Daily News 東方日報, the Sun 新報 and/or on.cc by publishing the same on “ifeng.com” without license or authority and claimed for, inter alia, an order for payment of damages and an injunction. OPG accepted the compensation in the amount of HK\$180,180 made to the High Court by Phoenix Holdings, subject to the parties’ agreement on other terms of settlement. In addition, Phoenix Holdings and the Company will pay the legal costs incurred by OPG up till the date of the signing of the settlement agreement or the date when the court made an order to such effect, the exact amount of which is yet to be ascertained and to be taxed by the court if not agreed. The litigation fee occurred as of October 30, 2009 in the aggregate amount of HK\$226,183.40 and the compensation in amount of HK\$180,180 have reflected in the financial statement of the Company.
- (b) Tian Ying is considering to initiate some lawsuits against several internet companies, including, 網際, 網際, 網際, 網際, 56, OPENV, 網際, 網際, 網

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網際 and 網際, in relation to the claim the infringement upon copyright of videos by such companies.

- (c) Tian Ying initiated a lawsuit to the People’s Court of Haidian District of Beijing (“**Haidian Court**”) against Ku6 (Beijing) Information Technology Co., Ltd. (“**Ku6 Beijing**”) claiming for the infringement of copyright of Tian Ying by Ku6 Beijing. A judgment was made by Haidian Court on December 20, 2008, which requires Ku6 Beijing to pay RMB90,000 for the economic loss of Tian Ying on account of such copyright infringement.

On the above case, the First Intermediate People’s Court of Beijing made a judgment of second instance which rejected the appeal raised by Ku6 Beijing’s appealing, and sustained the original judgment on August 7, 2009.

### Section 8.1

- (a) A list of all Intellectual Property owned by each Group Company has been set forth in the [Exhibit 8.1\(a\) List of Intellectual Property Owned by Each Group Company](#) attached hereto.
- (b) Phoenix Satellite Television Co., Ltd. (“**Phoenix Television**”) has issued a Letter of Authorization on November 4, 2008, pursuant to which, Phoenix Television authorized Tian Ying to use all Phoenix Satellite’s trademarks on the internet and wireless business. All of the trademarks licensed to Tian Ying are set forth in the [Exhibit 8.1\(b\) List of Intellectual Property Licensed to Each Group Company](#) attached hereto.
- (c) Phoenix Television has issued a Statement on November 30, 2008, pursuant to which, Phoenix Television acknowledges that Tian Ying is entitled to use its domain name “www.phoenixtv.com” and take the responsibility of internet business of the Phoenix Satellite, including the business of mobile internet, stream media, IPTV, mobile TV and other derivative business, and has the exclusive right to conduct the business of live internet video and the video on demand for Phoenix Satellite. The licensed programs are set forth in the [Exhibit 8.1 \(b\) List of Intellectual Property Licensed to Each Group Company](#) attached hereto.
- (d) The other license agreements in relation to the license granted by the Group Company or to the Group Company are listed in the Material Contracts. Please refer to [Exhibit 10.1\(a\) List of Content License Agreements](#) hereto.

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#### Section 8.2.1

None.

#### Section 8.2.2

Certain software programs in some of the Group Company’s computers used by some of its employees may be pirate copies. Please refer to [Exhibit 8.2.2 List of the Software](#) hereto.

### Section 8.3

Certain content license agreements have been entered into with third parties by the Group Companies. Please refer to Section 10.1 (a).

### Section 8.4

Please refer to Section 7(c).

### Section 10.1

- (a) A list of the Content License Agreements is attached hereto as [Exhibit 10.1\(a\) List of Content License Agreements](#).

- (b) A list of account payable and receivable Business Contract of Tian Ying and Yi Feng is attached hereto as Exhibit 10.1 (b) List of Business Contracts.

**Section 10.2**

None.

**Section 10.3**

None.

**Section 10.4**

None.

**Section 11.1**

- (a) Each of the Group Companies has respectively made to its employees standard employee benefits in compliance with the applicable Laws, including, without limitation, salaries, endowment insurance, medical insurance, unemployment insurance, maturity insurance, work injury insurance and housing fund.

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- (b) A list with regard to the purchase of the Company's share capital in accordance with the issuance of options to purchase the Company's Ordinary Shares is attached as Exhibit 11.1 List of Option Shares hereto.

**Section 13**

None.

**Section 15**

Since the Statement Date, WANG Cheng 王成, a former vice president, has resigned from the WFOE on March 18, 2009.

**Section 16.4**

None.

**Section 16.6**

None.

**Section 16.7**

Please refer to Section 11.1.

**Section 18**

None.

**Section 19**

As of October 31, 2009, 223 employees of WFOE, Tian Ying and Yi Feng have not executed the Confidential Information Agreements, a list of which has been set forth in Exhibit 19 List of Employees with No Confidential Information Agreement attached hereto.

**Section 20**

Please refer to Section 1.

**Section 22**

None.

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**Section 23.1**

- (a) The 20 individual shareholders of the Company as listed in the Exhibit 2.6 Shareholders of the Company hereto, who are all PRC residents, have not completed the registration with the Beijing Branch of the SAFE in accordance with the requirements of Circular 75.

- (b) WFOE, Tian Ying and Yi Feng have entered into a lease agreement with China National Service Corporation for Chinese Personnel Working Abroad 中国对外承包工程总公司 (“CNSC”) dated December 30, 2008 regarding the lease of the premises located at Floor 16, Fortune Tower, No. 4, East

Huixin Street, Chaoyang District, Beijing. Such lease agreement has not been registered with the local real estate registration authorities.

- (c) There is no lease agreement entered into by Tian Ying and Yi Feng with regard to registered address of each of its branches.

**Section 23.2**

None.

**Section 23.3**

- (a) Beijing Administration for Commerce and Industry, Chaoyang Branch (“**Chaoyang AIC**”) issued a Notice on Rectification to the WFOE, Tian Ying, Yi Feng respectively on October 15, 2008, according to which Chaoyang AIC requested the WFOE, Tian Ying and Yi Feng conduct their respective business in their registered address.
- (b) Beijing Administration for Commerce and Industry, Daxing Branch (“**Daxing AIC**”) issued a Notice on Rectification on March 9, 2009, according to which Daxing AIC requested Yi Feng conduct its business in its registered address in Daxing District.

Pursuant to the Business License issued by Chaoyang AIC on May 11, 2009, Yi Feng has changed the registered address as “Floor 16, Fortune Tower, No. 4, East Huixin Street, Chaoyang District, Beijing, the PRC”.

**Section 26**

The Company has issued a written statement which states that there still exist three related party transactions, including but not limited to (i) service fees of up to RMB 8 million payable by the WFOE to the BVI Co, and (ii) service fees of up to RMB 5.5 million payable by Tian Ying to Guofeng Online (Beijing) Information Technology Company Limited (“**Guofeng Online**”), and (iii) loan of up to RMB 2.08 million payable by Guofeng Online to Tian Ying.

**Exhibit 1 Status of Registration with Local Branches of MIIT**

**A. ICP Registration**

Status	Tian Ying	Yifeng
No filing form	Beijing	Beijing
	Jiangsu	Jiangsu
	Hunan	Hunan
		Tibet
	Shanxi	Tianjin
	Inner Mongolia	Hebei
	Jilin	Shanxi
	Heilongjiang	Inner Mongolia
	Fujian	Liaoning
	Jiangxi	Jilin
	Henan	Heilongjiang
	Hubei	Shanghai
	Guangxi	Zhejiang
	Hainan	Anhui
	Chongqing	Fujian
	Yunnan	Jiangxi
	Guizhou	Shandong
Legal representative not updated	Tibet	Henan
	Gansu	Hubei
		Guangdong
		Guangxi
		Hainan
		Chongqing
		Sichuan
		Yunnan
		Guizhou
		Shaanxi
		Gansu
	Ningxia	
	Qinghai	
	Xinjiang	

**B. Telecom Number Registration**

Status	Tian Ying	Yifeng
No filing form	Tianjin	Tianjin
	Heilongjiang	Shanxi
	Shandong	Liaoning

Henan	Heilongjiang
Hubei	Henan
Sichuan	Guangxi
Tibet	Hainan
Shaanxi	Yunnan

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	Tian Ying	Yifeng
	Qinghai	Tibet Qinghai
	Beijing	Hebei
	Hebei	Inner Mongolia
	Inner Mongolia	Jilin
	Liaoning	Shanghai
	Jilin	Jiangsu
	Shanghai	Zhejiang
	Jiangsu	Jiangxi
	Zhejiang	Shandong
	Anhui	Hunan
	Fujian	Guangdong
	Jiangxi	Chongqing
	Hunan	Xinjiang
	Guangdong	Anhui
	Chongqing	Gansu
	Guizhou	
	Gansu	
	Ningxia	
	Xinjiang	
		Beijing
		Fujian
		Hubei
		Sichuan
		Guizhou
		Shaanxi
		Ningxia
Legal representative not updated		
Not filed	None	

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### Exhibit 2.6 Shareholders of the Company

Shareholder	ID Number	Ordinary Shares
Phoenix Satellite Television (B.V.I) Holding Limited	N/A	320,000,000
KOU Zhipeng 寇志鹏	150203197408010056	340,000
LAN Bo 兰博	422802197809060031	3,500
WANG Cheng 王成	321027197606105710	1,240,000
LIU Dan 刘丹	110103198208020665	2,250
KE Wenxing 柯文兴	450203198402271058	15,000
XU Xinxin 徐鑫鑫	410423198302259018	16,500
WU Zhaohui 吴兆辉	372925198110206914	3,750
HAN Xu 韩旭	110108198103126836	28,000
ZHOU Xiaolei 周晓磊	110105198107048610	150,000
SUN Yanna 孙彦娜	150204198502010029	2,625
HUANG Rui 黄睿	350102198105022834	11,250
XIA Minghua 夏明华	342622196508114059	2,625
ZHANG Wei 张伟	220521198204067423	15,125
XU Xueling 徐雪玲	431081197812070823	18,000
ZHANG Xueqin 张雪琴	230502198405191546	937
CHEN Tao 陈涛	110111198011288238	3,500
ZHANG Jiantao 张健涛	410482760307105	450,000
YANG Guang 杨光	11010519781106007X	18,000
SHU Yan 舒彦	530102198211153727	1,875
WU Le 吴乐	513001197712250632	22,500
<b>Total</b>		<b>322,345,437</b>

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□□□□□	□□	2007.2.13-2010.2.13
□□□□□	□□	2007.2.13-2010.2.13
□□□□□	□□	2007.2.13-2010.2.13
□□□□□	□□	2007.2.13-2010.2.13







**B. Computer Software Copyright Registration Certificate**





Name	Proprietor	Registration No.	Date of First Publication	Issue Date
End-use Phoenix Information Issuance Software developed by Palmar Phoenix V1.0.01 □□□□□□□□□□□□□□□□ V1.0.01□	Tian Ying	2005SR16146	2005.9.20	2005.12.30
Phoenix Mobile TV Cell Phone Network Software V1.0 □□□□□□□□ □□□□□□ V1.0□	Tian Ying	2007SRBJ0386	2006.12.16	2007.3.16




**Exhibit 8.1(b) List of Intellectual Property Licensed to Each Group Company**


**A. Trademark**

**(a) Trademark Registration Certificates**



No.	Trademark	Trademark Logo	Country	Class	Proprietor	Reg. No.	Expiration Date
1	凤凰卫视		China	38	Phoenix Satellite Television Trademark Limited	1097565	2017.9.6
2	鳳凰衛視		China	38	Phoenix Satellite Television Trademark Limited	1085971	2017.8.20
3		Phoenix InfoNews Logo	China	38	Phoenix Satellite Television Trademark Limited	1959047	2013.2.13
4		Phoenix Movie Logo	China	38	Phoenix Satellite Television Trademark Limited	1987948	2012.12.13
5		Phoenix Network Logo	China	9	Phoenix Satellite Television Trademark Limited	3139875	2013.5.27
6		Phoenix Network Logo	China	16	Phoenix Satellite Television Trademark Limited	3139874	2017.8.27



No.	Trademark	Trademark Logo	Country	Class	Proprietor	Reg. No.	Expiration Date
7		Phoenix Network Logo	China	28	Phoenix Satellite Television Trademark Limited	3139873	2014.2.20
8		Phoenix Network Logo	China	35	Phoenix Satellite Television Trademark Limited	3139872	2013.8.6
9		Phoenix Network Logo	China	37	Phoenix Satellite Television Trademark Limited	3139871	2014.2.13
10		Phoenix Network Logo	China	38	Phoenix Satellite Television Trademark Limited	1097572	2017.9.6

11		Phoenix Network Logo	China	39	Phoenix Satellite Television Trademark Limited	3139870	2013.6.27
12		Phoenix Network Logo	China	41	Phoenix Satellite Television Trademark Limited	3139869	2013.8.20
13		Phoenix Network Logo	China	42	Phoenix Satellite Television Trademark Limited	3139868	2013.9.6

No.	Trademark	Trademark Logo	Country	Class	Proprietor	Reg. No.	Expiration Date	
14			Phoenix Network Logo	China	41	Phoenix Satellite Television Trademark Limited	3300821	2013.12.20

## (b) Notice for Acceptance of Trademark Registration

No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
1	中華小姐環球大賽	Miss Chinese Cosmos - Chi Word Logo	China	38	Phoenix Satellite Television Trademark Limited	5452238	2006.6.30
2	中華小姐環球大賽	Miss Chinese Cosmos - Chi Word Logo	China	41	Phoenix Satellite Television Trademark Limited	5452239	2006.6.30
3	MISS CHINESE COSMOS PAGEANT	Miss Chinese Cosmos - Eng Word Logo	China	38	Phoenix Satellite Television Trademark Limited	5452240	2006.6.30
4	MISS CHINESE COSMOS PAGEANT	Miss Chinese Cosmos - Eng Word Logo	China	41	Phoenix Satellite Television Trademark Limited	5452241	2006.6.30
5		Miss Chinese Cosmos - Lady Logo	China	38	Phoenix Satellite Television Trademark Limited	5452242	2006.6.30
6		Miss Chinese Cosmos - Lady Logo	China	41	Phoenix Satellite Television Trademark Limited	5452243	2006.6.30







No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
7		Miss Chinese Cosmos - Word & Logo	China	38	Phoenix Satellite Television Trademark Limited	5452244	2006.6.30
8		Miss Chinese Cosmos - Word & Logo	China	41	Phoenix Satellite Television Trademark Limited	5452245	2006.6.30
9	鳳凰卫视	Phoenix Chi Word Logo	China	41	Phoenix Satellite Television Trademark Limited	5614889	2006.9.18
10		Phoenix Movie (New) Chi Logo	China	38	Phoenix Satellite Television Trademark Limited	6645330	2008.4.8













11		Phoenix Movie (New) Chi Logo	China	41	Phoenix Satellite Television Trademark Limited	6645449	2008.4.8
12		Phoenix Movie (New) Eng Logo	China	38	Phoenix Satellite Television Trademark Limited	6645332	2008.4.8
13		Phoenix Movie (New) Eng Logo	China	41	Phoenix Satellite Television Trademark Limited	6645331	2008.4.8









No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
14		Phoenix Network Logo	China	41	Phoenix Satellite Television Trademark Limited	5614891	2006.9.18
15		Phoenix Network Logo & Chi/Eng Word	China	1	Phoenix Satellite Television Trademark Limited	5892215	2007.2.5
16		Phoenix Network Logo & Chi/Eng Word	China	2	Phoenix Satellite Television Trademark Limited	5892214	2007.2.5
17		Phoenix Network Logo & Chi/Eng Word	China	3	Phoenix Satellite Television Trademark Limited	5892213	2007.2.5
18		Phoenix Network Logo & Chi/Eng Word	China	4	Phoenix Satellite Television Trademark Limited	5892212	2007.2.5
19		Phoenix Network Logo & Chi/Eng Word	China	5	Phoenix Satellite Television Trademark Limited	5892211	2007.2.5
20		Phoenix Network Logo & Chi/Eng Word	China	6	Phoenix Satellite Television Trademark Limited	5892210	2007.2.5
21		Phoenix Network Logo & Chi/Eng Word	China	7	Phoenix Satellite Television Trademark Limited	5892209	2007.2.5








No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
22		Phoenix Network Logo & Chi/Eng Word	China	8	Phoenix Satellite Television Trademark Limited	5892208	2007.2.5
23		Phoenix Network Logo & Chi/Eng Word	China	10	Phoenix Satellite Television Trademark Limited	5892207	2007.2.5
24		Phoenix Network Logo & Chi/Eng Word	China	11	Phoenix Satellite Television Trademark Limited	5892206	2007.2.5


25		Phoenix Network Logo & Chi/Eng Word	China	12	Phoenix Satellite Television Trademark Limited	5892205	2007.2.5
26		Phoenix Network Logo & Chi/Eng Word	China	13	Phoenix Satellite Television Trademark Limited	5892204	2007.2.5
27		Phoenix Network Logo & Chi/Eng Word	China	14	Phoenix Satellite Television Trademark Limited	5892203	2007.2.5
28		Phoenix Network Logo & Chi/Eng Word	China	15	Phoenix Satellite Television Trademark Limited	5892202	2007.2.5
29		Phoenix Network Logo & Chi/Eng Word	China	17	Phoenix Satellite Television Trademark Limited	5892201	2007.2.5
30		Phoenix Network Logo & Chi/Eng Word	China	18	Phoenix Satellite Television Trademark Limited	5892225	2007.2.5


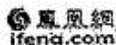
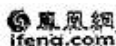
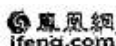
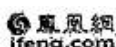
No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
31		Phoenix Network Logo & Chi/Eng Word	China	19	Phoenix Satellite Television Trademark Limited	5892224	2007.2.5
32		Phoenix Network Logo & Chi/Eng Word	China	20	Phoenix Satellite Television Trademark Limited	5892223	2007.2.5
33		Phoenix Network Logo & Chi/Eng Word	China	21	Phoenix Satellite Television Trademark Limited	5892222	2007.2.5
34		Phoenix Network Logo & Chi/Eng Word	China	22	Phoenix Satellite Television Trademark Limited	5892221	2007.2.5
35		Phoenix Network Logo & Chi/Eng Word	China	23	Phoenix Satellite Television Trademark Limited	5892190	2007.2.5
36		Phoenix Network Logo & Chi/Eng Word	China	24	Phoenix Satellite Television Trademark Limited	5892189	2007.2.5
37		Phoenix Network Logo & Chi/Eng Word	China	25	Phoenix Satellite Television Trademark Limited	5892188	2007.2.5
38		Phoenix Network Logo & Chi/Eng Word	China	26	Phoenix Satellite Television Trademark Limited	5892187	2007.2.5
39		Phoenix Network Logo & Chi/Eng Word	China	27	Phoenix Satellite Television Trademark Limited	5892186	2007.2.5

No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
40		Phoenix Network Logo & Chi/Eng Word	China	29	Phoenix Satellite Television Trademark Limited	5892185	2007.2.5

41		Phoenix Network Logo & Chi/Eng Word	China	30	Phoenix Satellite Television Trademark Limited	5892184	2007.2.5
42		Phoenix Network Logo & Chi/Eng Word	China	31	Phoenix Satellite Television Trademark Limited	5892183	2007.2.5
43		Phoenix Network Logo & Chi/Eng Word	China	32	Phoenix Satellite Television Trademark Limited	5892182	2007.2.5
44		Phoenix Network Logo & Chi/Eng Word	China	33	Phoenix Satellite Television Trademark Limited	5892181	2007.2.5
45		Phoenix Network Logo & Chi/Eng Word	China	34	Phoenix Satellite Television Trademark Limited	5892200	2007.2.5
46		Phoenix Network Logo & Chi/Eng Word	China	36	Phoenix Satellite Television Trademark Limited	5892199	2007.2.5
47		Phoenix Network Logo & Chi/Eng Word	China	40	Phoenix Satellite Television Trademark Limited	5892198	2007.2.5
48		Phoenix Network Logo & Chi/Eng Word	China	44	Phoenix Satellite Television Trademark Limited	5892197	2007.2.5

No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
49		Phoenix Network Logo & Chi/Eng Word	China	45	Phoenix Satellite Television Trademark Limited	5892196	2007.2.5
50		Phoenix New Media	China	9	Phoenix Satellite Television Trademark Limited	6882738	2008.8.5
51		Phoenix New Media	China	16	Phoenix Satellite Television Trademark Limited	6882737	2008.8.5
52		Phoenix New Media	China	35	Phoenix Satellite Television Trademark Limited	6882736	2008.8.5
53		Phoenix New Media	China	38	Phoenix Satellite Television Trademark Limited	6882755	2008.8.5
54		Phoenix New Media	China	41	Phoenix Satellite Television Trademark Limited	6882754	2008.8.5
55		Phoenix New Media	China	42	Phoenix Satellite Television Trademark Limited	6882753	2008.8.5

No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
56		ifeng.com	China	9	Phoenix Satellite Television Trademark Limited	6882744	2008.8.5

57		ifeng.com	China	16	Phoenix Satellite Television Trademark Limited	6882743	2008.8.5
58		ifeng.com	China	35	Phoenix Satellite Television Trademark Limited	6882742	2008.8.5
59		ifeng.com	China	38	Phoenix Satellite Television Trademark Limited	6882741	2008.8.5
60		ifeng.com	China	41	Phoenix Satellite Television Trademark Limited	6882740	2008.8.5
61		ifeng.com	China	42	Phoenix Satellite Television Trademark Limited	6882739	2008.8.5
62	<b>ifeng</b>	ifeng	China	9	Phoenix Satellite Television Trademark Limited	6882730	2008.8.5
63	<b>ifeng</b>	ifeng	China	16	Phoenix Satellite Television Trademark Limited	6882729	2008.8.5
64	<b>ifeng</b>	ifeng	China	35	Phoenix Satellite Television Trademark Limited	6882728	2008.8.5
65	<b>ifeng</b>	ifeng	China	38	Phoenix Satellite Television Trademark Limited	6882727	2008.8.5
66	<b>ifeng</b>	ifeng	China	41	Phoenix Satellite Television Trademark Limited	6882726	2008.8.5

No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
67	<b>ifeng</b>	ifeng	China	42	Phoenix Satellite Television Trademark Limited	6882745	2008.8.5

**B. Programs Licensed by Phoenix Television**

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\*: Excluding all the music in the programs or episodes and data authorized by the third parties or any episodes or materials which are not produced by Phoenix Satellite itself.

**Exhibit 8.2.2 List of the Software**

1. Microsoft windows (including Windows XP, Windows Vista, 2003 Server);
2. VMWare;
3. Oracle, Oracle BIEE, Microsoft SQL Server;
4. Microsoft office (including Word, Excel, PowerPoint, Outlook, Project, Vision);
5. Ultra Edit;
6. Server U (FTP Server);
7. Microsoft Visual studio 2008/2005

8. Adobe Flex/Flash 8
9. TortoiseCVS
10. Adobe Photoshop, Dreamweaver, Fireworks, CS4
11. Adobe Acrobat 9 Pro
12. Winrar
13. CoreDRAW
14. Acdsee
15. Axure Pro 5
16. Snagit 9
17. HyperSnap
18. Cuteftp, FlashFXP
19. RealVNC, SecureCRT
20. UltraISO, Nero
21. Nod32
22. IBM Tivoli SANergy
23. EstreamEye Tools
24. ProCoder 3
25. Helix.Mobile.Producer.v11
26. MPEG Video Wizard
27. Vegas7.0 / 8.0
28. Adobe Premiere
29. Edius pro4.6
30. After Effect
31. 3Dmax

**Exhibit 10.1(a) List of Content License Agreements**

**A. Tian Ying**

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
1	██████████████████	RMB150,000	2009.1.6	2010.1.5	License of Pictures Use
2	██████████████████	RMB150,000	2009.2.4	One Year	License of Information Use
3	██████████████████	RMB100,000	2009.2.5	One Year	License of Information Use
4	██████████████████████████████	RMB900,000	2009.6.5	Three Years	License of Information Use
5	██████████████████████████████	RMB150,000	2008.8.5	2009.12.5	License of Information Use
6	██████	RMB100,000	2009.7.6	2010.3.1	License of Information Use
7	██████████████████	RMB20,000	2009.5.1	One Year	Purchase of Video
8	██████████████████	RMB100,000	2009.8.12	2011.9.1	License of Information Use
9	██████████████████	RMB400,000	2009.9.3	2010.8.31	License of Information Use
10	██████████████	RMB400,000	2008.8.6	2009.8.5 (under the extension negotiation)	License of Information Use
11	██████████████████	RMB50,000	2008.8.14	2011.8.31	License of Information Use

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
12	██████████████████	RMB80,000	2008.12.10	2009.12.31	License of Information Use
13	██████	RMB40,000	2008.9.11	One Year (under the extension negotiation)	License of Information Use
14	██████████████████████████████	RMB1,995,000	2009.9.16	2012.8.23	License of Information Use
15	██████████████████	RMB400,000	2009.8.31	2010.8.3	License of Information Use
16	██████████████████████████████	Not Applicable	2008.12.25	One Year	License of Information Use
17	██████████████████████████████	Not Applicable	2008.8.15	One Year and automatically renewed for one year	License of Information Use
18	██████	Not Applicable	2008.8.21	One Year and automatically renewed for one year	License of Information Use
19	██████████████████	Not Applicable	2008.8.27	One Year and automatically renewed for one year	License of Information Use
20	██████████████████	Not Applicable	2008.8.20	One Year and automatically renewed for one year	License of Information Use



21	□□□□□□□□□□	Not Applicable	2008.12.8	One Year	License of Information Use
22	□□□□□□□□□□	Not Applicable	2008.9.11	One Year and automatically renewed for one year	License of Information Use

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
23	□□□□□□□□	Not Applicable	2008.11.5	One Year	License of Information Use
24	□□□□□□□□□□	Not Applicable	2008.12.22	2009.12.31	License of Information Use
25	□□□□□□□□□□	Not Applicable	2008.9.19	One Year and automatically renewed for one year	License of Information Use
26	□□□□□□□□	Not Applicable	2008.9.19	One Year and automatically renewed for one year	License of Information Use
27	□□□□□□□□□□□□	Not Applicable	2008.9.9	One Year and automatically renewed for one year	License of Information Use
28	□□□□□□□□□□□□□□□□□□	Not Applicable	2008.8.26	One Year and automatically renewed for one year	License of Information Use
29	□□□□□□□□□□□□□□□□	Not Applicable	2008.8.27	One Year and automatically renewed for one year	License of Information Use
30	□□□□□□□□	Not Applicable	2008.9.10	2009.9.9 (under the extension negotiation)	License of Information Use
31	□□□□□□□□□□	Not Applicable	2009.4.9	One Year	License of Information Use
32	□□□□□□□□□□□□	Not Applicable	2009.4.16	One Year	License of Information Use
33	□□□□□□□□□□□□□□	Not Applicable	2009.4.14	One Year	License of Information Use
34	□□□□□□□□□□□□□□	Not Applicable	2009.3.28	One Year	License of Information Use

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
35	□□□□□□	Not Applicable	2009.4.1	Two Years	License of Information Use
36	□□□□□□□□□□□□	Not Applicable	2009.5.5	One Year	License of Information Use
37	□□□□□□	Not Applicable	2009.5.6	One Year	License of Information Use
38	□□□□□□□□□□□□□□□□□□	Not Applicable	2009.4.30	One Year	License of Information Use
39	□□□□□□□□□□□□□□□□	Not Applicable	2009.5.11	2010.5.10	License of Information Use
40	□□□□□□□□□□	Not Applicable	2009.6.11	One Year	License of Information Use
41	□□□□□□	Not Applicable	2009.6.17	One Year	License of Information Use
42	□□□□□□□□□□□□□□	Not Applicable	2009.6.5	One Year	License of Information Use
43	□WTO□□□□□□□□□□	Not Applicable	2009.6.11	One Year	License of Information Use
44	□□□□□□□□□□□□	Not Applicable	2009.5.25	One Year	License of Information Use
45	□□□□□□□□□□□□□□□□	Not Applicable	2009.1.13	One Year	License of Information Use
46	□□□□□□□□□□□□	Not Applicable	2009.2.13	One Year	License of Information Use
47	□□□□□□□□□□□□□□	Not Applicable	2009.2.5	One Year	License of Information Use

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
48	□□□□□□□□□□□□	Not Applicable	2009.2.3	One Year	License of Information Use
49	□□□□□□	Not Applicable	2009.2.12	One Year	License of Information Use
50	□□□□□□□□□□□□□□	Not Applicable	2009.2.2	2010.2.1	License of Information Use
51	□□□□□□□□□□	Not Applicable	2009.2.26	One Year	License of Information Use
52	□□□□□□□□□□	Not Applicable	2009.2.16	One Year	License of Information Use
53	□□□□□□□□□□□□	Not Applicable	2009.3.12	One Year	License of Information Use
54	□□□□□□□□□□□□□□□□	Not Applicable	2009.3.12	One Year	License of Information Use
55	□□□□□□□□□□□□	Not Applicable	2009.3.18	One Year	License of Information Use
56	□□□□□□□□	Not Applicable	2009.3.18	One Year	License of Information Use
57	□□□□□□□□□□□□□□	Not Applicable	2008.10.31	One Year	License of Information Use

58	□□□□□□□□□□	Not Applicable	2009.3.24	One Year	License of Information Use
59	□□□□□□	Not Applicable	2009.3.27	One Year	License of Information Use
60	□□□□□□□□□□	Not Applicable	2009.3.27	One Year	License of Information Use
61	□□□□□□□□	Not Applicable	2009.3.30	One Year	License of Information Use

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No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
62	□□□□□□□□□□□□□□□□	Not Applicable	2009.2.10	One Year	License of Information Use
63	□□□□□□□□□□	Ads Income Shared Pro Rata	2009.3.2	One Year	License of Information Use
64	□□□□□□□□□□□□	Not Applicable	2009.2.28	2009.12.31	License of Information Use
65	□□□□	Not Applicable	2009.4.9	One Year	License of Information Use
66	□□□□□□□□	Not Applicable	2009.4.1	2009.10.31	License of Information Use
67	□□□□□	Not Applicable	2009.4.3	One Year	License of Information Use
68	□□□□	Not Applicable	2009.6.9	2011.6.8	License of Information Use
69	□□□□□□□□□□□□	RMB8,000	2009.4.25	2009.12.31	License of Information Use
70	□□□□□□□□□□□□□□□□	Not Applicable	2009.7.17	One Year	License of Information Use
71	□□□□□□□□□□	Not Applicable	2009.3.23	2010.3.22	License of Information Use
72	□□□□□	RMB205,000	2009.8.20	2012.8.31	License of Information Use
73	□□□□□□□□□□□□□□□□	RMB1,600,000	2008.12.17	2010.12.31	License of Program Use
74	□□□□□□□□□□	RMB1,100,000	Not Indicated	2010.5	License of Program Use

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No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
75	□□□□□□□□□□□□□□	RMB1,440,000	2009.5.15	2009.12.31	License of Program-using
76	□□□□□□□□□□	RMB66,000,000	2008.12.12	2009.10.31	License of Multimedia Messenger Use
77	□□□□□□□□□□□□	RMB50,000	2009.3.31	2009.12.31	License of Program Use
78	□□□□□□□□□□□□	RMB150,000	2008.11.10	2009.11.15	License of Program Use
79	□□□□□□□□□□	RMB42,600	2008.12.11	Two Years	License of Program Use
80	□□□□□□□□□□□□	RMB100,000	2009.1.1	2009.12.31	License of Program Use
81	□□□□□□□□□□□□	RMB250,000	2009.4.20	2010.4.19	License of Program Use
82	□□□□□□□□□□□□	RMB1,100,000	2008.6.30	2010.6.30	License of Program Use
83	□□□□□□□□□□	RMB2,880,000	Not Indicated	2009.12.31	License of Phoenix Weekly
84	□□□□□□□□□□□□□□	RMB285,000	2008.4.15	Two Years	License of Program Use
85	□□□□□□□□□□□□□□	RMB100,000	Not Indicated	2011.8.14	License of Information Use
86	ACN Newswire Department, JCN K.K.	Not Applicable	2009.8.10	2010.8.9	License of Information Use
87	□□□□□□□□□□□□	Not Applicable	2009.7.23	2010.7.22	License of Information Use

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No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
88	□□□□□□□□	Not Applicable	2009.8.18	2010.8.17	License of Information Use
89	□□□□□□□□□□□□	Free	2009.8.7	2010.7.31	License of Content Use
90	□□□□□□□□	Not Applicable	2009.9.16	2010.9.15	License of Content Use
91	□□□□□□□□□□□□	Not Applicable	2009.6.5	2010.6.4	License of Content Use
92	□□□□□□□□□□□□	Not Applicable	2009.7.13	2010.7.12	License of Content Use
93	□□□□□□□□□□	RMB100,000	2009.5.10	2010.4.30	License of Information Use
94	□□□□□□□□□□□□	Not Applicable	2009.9.2	2010.9.1	License of Information Use
95	□□□□□□□□	Not Applicable	2009.7.29	2010.7.31	License of Information Use
96	□□□□□□□□□□	Not Applicable	2009.7.10	2010.7.9	License of Information Use
97	□□□□□□□□□□□□	Not Applicable	2009.7.9	2010.7.8	License of Information Use
98	□□□□□□□□	Not Applicable	2009.6.22	One year	License of Information Use
99	□□□□□□□□□□	Not Applicable	2009.7.13	2010.7.12	License of Information Use
100	□□□□□□□□□□□□	Not Applicable	2009.5.25	2010.5.24	License of Information Use
101	□□□□□□□□□□□□	Not Applicable	2009.8.12	2010.7.31	License of Information Use
102	□□□□□□□□□□	Not Applicable	2009.7.29	2010.7.31	License of Information Use

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No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
103	□□□□□□□□□□	Not Applicable	2009.9.9	2010.12.31	License of Pictures Use
104	□□□□	Not Applicable	2009.8.20	2010.8.19	License of Information Use
105	□□□□□□	Not Applicable	2009.7.10	2010.7.9	License of Information Use

106	□□□□□□□□□□□□□□□□	Not Applicable	2009.8.25	2010.9.1	License of Movie Programs
107	□□□□□□□□□□□□□□□□	Not Applicable	2009.8.18	2010.8.17	License of Content Use
108	□□□□□□□□□□□□□□□□	Not Applicable	2009.8.20	2011.8.19	License of Information Use
109	□□□□□□□□□□□□□□□□	Not Applicable	2009.7.1	2010.7.1	License of Information Use
110	□□□□□□□□	RMB40,000	2009.10.12	2010.9.30	License of News Content
111	□□□□□□□□□□	Not Applicable	2009.8.20	2010.8.19	License of Information Use
112	□□□□□□□□□□□□□□□□	RMB70,000	2009.8.20	2011.8.31	License of Content Use
113	□□□□□□□□□□	Not Applicable	2009.9.3	2010.9.2	License of Information Use
114	□□□□□□□□□□□□□□□□	Not Applicable	2009.8.13	2010.8.12	License of Content Use
115	□□□□□□□□□□□□□□□□	Not Applicable	2009.10.15	2010.10.14	License of Information Use
116	□□□□□□□□□□□□□□□□	RMB150,000	2009.6.15	2010.6.14	License of Information Use

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No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
117	□□□□□□□□	Not Applicable	2009.9.1	2010.8.19	License of Information Use
118	□□□□□□□□□□□□□□□□	Not Applicable	2009.8.5	One Year	License of Information Use
119	□□□□□□□□□□□□□□□□	Not Applicable	2009.7.6	One Year	License of Information Use
120	□□□□□□□□	Not Applicable	2009.9.14	One Year	License of Information Use
121	□□□□□□□□	RMB12,000	2009.8.10	2010.8.14	License of Content Use
122	□□□□□□□□□□□□□□□□	Not Applicable	2009.8.5	One Year	License of Information Use
123	□□□□□□□□□□□□□□□□	Not Applicable	2009.9.11	One Year	License of Information Use
124	□□□□□□□□□□□□□□□□	Not Applicable	2009.9.12	One Year	License of Information Use
125	□□□□□□□□	USD1,220	2009.8.11	2010.8.30	License of Picture Use
126	□□□□□□□□□□□□□□□□	Not Applicable	2009.7.24	One Year	License of Information Use
127	□□□□□□□□□□□□□□□□	Not Applicable	2009.8.12	2010.7.31	License of Information Use
128	□□□□□□□□□□□□□□□□	RMB170,000	2009.9.25	2011.9.27	License of Program Use
129	□□□□□□□□□□□□□□□□	RMB400,000	2009.9.1	2010.12.31	License of Program Use
130	□□□□□□□□□□□□□□□□	RMB30,000	2009.8.17	2012.8.14	License of Program Use

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No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
131	□□□□□□□□□□□□□□□□	RMB700,000	2009.8.4	2011.7.31	License of Program Use
132	□□□□□□□□□□□□□□□□	USD84,000	2009.9.15	2011.8.31	License of Program Use
133	□□□□□□□□□□□□□□□□	RMB500,000	2009.10.12	One Year	License of Program Use
134	□□□□□□□□□□□□□□□□	RMB200,000	2009.9.2	2010.9.3	License of Program Use
135	□□□□□□□□□□□□□□□□	RMB220,000	2009.8.31	2010.8.31	License of Program Use
136	□□□□□□□□	Not Applicable	2009.7.24	One Year	License of Content Use
137	□□□□□□□□□□□□□□□□	Not Applicable	2009.8.17	One Year	License of Information Use
138	□□□□□□□□□□□□□□□□	Not Applicable	2009.9.29	One Year	License of Information Use
139	□□□□□□□□□□□□□□□□	Not Applicable	2009.9.24	One Year	License of Information Use
140	□□□□□□□□	Not Applicable	2009.9.22	One Year	License of Information Use

**B. Yi Feng**

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
1	□□□□□□□□□□	RMB150,000	2008.10.23	2009.9.9	License of

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No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
				(under the extension negotiation)	Information Use

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**Exhibit 10.1(b) List of Business Contracts**

**A. Tian Ying**

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
<b>Account Receivable</b>					
1	□□□□□□□□□□□□□□□□	RMB2,520,000	2009.5.14	2010.5.9	Advertising

2	□□□□□□□□□□	RMB576,000	2009.4.3	2009.10.21	Advertising
3	□□□□□□□□□□□□	RMB1,000,000	2008.3.31	2010.3.31	Advertising
4	□□□□□□□□□□□□	RMB1,488,000	2009.5	2009.12.31	Advertising
5	□□□□□□□□□□	RMB3,500,000	2008.6.30	2009.12.31	Advertising
6	□□□□□□□□□□	RMB1,000,000	2008.9.1	2009.12.31	Advertising
7	□□□□□□□□□□□□	RMB720,000	2008.12.31	2009.12.31	Advertising
8	□□□□□□□□□□	RMB2,700,000	2008.9.28	2009.12.31	Advertising
9	□□□□□□□□□□□□□□	RMB2,000,000	2008.9.1	2009.12.31	Advertising
10	□□□□□□□□□□	RMB1,500,000	2009.4.2	2009.12.31	Advertising
11	□□□□□□□□□□	RMB1,000,000	2008.11.28	2009.12.31	Advertising
12	□□□□□□□□□□□□	RMB450,000	2008.11.3	2009.12.1	Advertising
13	□□□□□□□□□□	RMB492,000	2009.3.25	2009.12.31	Advertising
14	□□□□□□□□□□□□	RMB1,000,000	2009.6.25	One Year	Programming

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
15	□□□□ □□□□□□□□□□□□	Calculated by the actual sales amount	2009.3	2010.3.31	Cooperation of Value-added Service regarding IVR
16	□□□□□□□□□□□□□□	Calculated by the actual sales amount	2009.4.1	2010.3.31	Cooperation of Cooperation of Value-added Service
17	□□□□□□□□□□□□□□□□	Calculated by the actual sales amount	2009.1.20	2009.12.31	Cooperation of Value-added Service
18	□□□□□□□□□□	Calculated by the actual sales amount	2009.2.17	2010.1.31	Cooperation of Value-added Service
19	□□□□□□□□□□□□	Calculated by the actual sales amount	2009.5.13	2010.5.12	Cooperation of Platform Operation
20	□□□□□□□□□□□□□□	Calculated by the actual sales amount	2009.5.22	2009.12.31	Cooperation of Program Operation
21	□□□□□□□□□□□□	Calculated by the actual sales amount	2009.1.7	2010.1.8	Cooperation of Program Operation
22	□□□□□□□□□□	Calculated by the actual sales amount	2008.12.5	2009.12.19	Cooperation of Program Operation
23	□□□□□□□□□□□□□□	Calculated by the actual sales amount	2009.4.1	2009.12.31	Cooperation of TV Column
24	□□□□□□□□□□□□	Calculated by	2009.2.16	2009.12.31	Cooperation of Star

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
	□	the actual sales amount			Phoenix Platform
25	□□□□□□□□□□□□□□□□	Calculated by the actual sales amount	2009.7.1	2010.4.1	Cooperation of Program Operations
26	□□□□□□□□□□□□	Calculated by actual performance	2008.8.1	Not Indicated	Cooperation of Campus Digital Business
27	□□□□□□□□□□□□	Calculated by the actual sales amount	Not Indicated	2009.10.31	Cooperation of Messenger Business
28	□□□□□□□□□□□□	Calculated by the actual sales amount	Not Indicated	2009.10.30	Cooperation of Program Operations
29	□□□□□□□□□□□□	Calculated by the actual sales amount	2008.11.5	2009.12.31	Cooperation of Mobile Newspaper
30	□□□□□□□□□□□□	Calculated by the actual sales amount	2009.2.10	2010.2.9	Cooperation of Wireless Music
31	□□□□□□□□□□□□	Calculated by the actual sales amount	2009.8.1	2010.7.31	Cooperation of Content Resources
32	□□□□□□□□□□□□	Calculated by the actual sales amount	2009.9.29	2010.9.19	Cooperation of Content Resources
33	□□□□□□□□□□	Calculated by the actual sales amount	2009.3.23	2009.12.31	Cooperation of WAP Service

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
34	□□□□□□□□□□□□	Calculated by the actual sales amount	2009.10.12	2010.9.20	Cooperation of SP Products
35	□□□□□□□□□□□□	Calculated by the actual sales amount	2008.3.14	2009.12.31	Cooperation of Coloring Ring Back Tone

36	□□□□□□□□□□□□□□□□□□	Calculated by the actual sales amount	2009.9.7	2010.12.31	Cooperation of Arrangement for Fan's Club
<b>Account Payable</b>					
37	□□□□□□□□□□	RMB 6,249,566.50 per year	2008.5.15	2011.6.30	Lease of Office
38	□□□□□□□□□□□□□□	RMB18,000 per month	2008.4.20	Two years	Lease of Digital Circuit
39	□□□□□□□□□□□□□□	Not Indicated	2009.5.1	One year	Supplemental Agreement for CDN Service
40	□□□□□□□□□□□□□□	RMB120 per Megabyte per Month	2009.4.23	2009.12.31	CDN Service
41	□□□□□□□□□□□□	RMB50 per Megabyte per Month within China; RMN280 per Megabyte per Month overseas	2009.2.1	2010.1.31	CDN Service

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No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
42	□□□□□□□□□□□□□□	RMB172,000 per Month	2008.5.15	Two Years	IDC Service
43	□□□□□□□□□□□□□□	Calculated by the actual sales amount	2009.8.3	2010.7.31	Online Payment Service
44	□□□□□□□□□□□□□□	Calculated by the actual leased IDC business	2008.7.1	Not Indicated	Lease of IDC Business
45	□□□□□□□□□□□□□□	Calculated by the actual leased IDC business	2008.11.13	Not Indicated	Lease of IDC Business
46	□□□□□□□□□□□□□□□□□□	RMB240,000	2009.5.28	2009.12.31	Purchase of License of Active Customer
47	□□□□□□□□□□□□□□	A position for advertisement equal to RMB 1,000,000	2009.8.25	2010.9.1	License of Program Use

**B. Yi Feng**

No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
1	□□□□□□□□□□□□□□	Calculated by the actual sales amount	Not Indicated	One Year	Cooperation of Value-added Service
2	□□□□□□□□□□□□□□	Calculated by the actual sales	Not Indicated	Three Years	Cooperation of Value-added Service

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No.	Party	Amount (RMB)	Date of Execution	Date of Termination	Simple Summary
	□	amount			
3	□□□□□□□□□□□□□□	Calculated by the actual sales amount	2008.12.10	2009.11.19	Cooperation of Value-added Service
4	□□□□□□□□□□	Calculated by the actual sales amount	2009.6.24	2009.11.1	Cooperation of Mobile Value-added Service
5	□□□□□□□□□□□□□□□□	Calculated by the actual sales amount	Not Indicated	2010.6.30	Cooperation of Mobile Value-added Service
6	□□□□□□□□□□□□□□	Calculated by the actual sales amount	Not Indicated	2009.11.30	Cooperation of Mobile Value-added Service
7	□□□□□□□□□□□□□□	Calculated by the actual sales amount	2009.7.1	2010.6.30	Cooperation of Mobile Value-added Service
8	□□□□□□□□□□□□	Calculated by the actual sales amount	2009.7.1	2010.6.30	Cooperation of Value-added Service

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**Exhibit 11.1 List of Option Shares**

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OPTION 1 OPTION 2 OPTION 3 OPTION 4

Name (Chinese)	Staff No.	Grant Date	Grant Date	Grant Date	Expiry Date	Entry Date	Exercise Price	080704	0811	090731	090916	Total Granted	Lapsed Granted	Vested Balance	Exercised Granted	Unvested Balance
	1	2008.07.04			2018.5.25	2005.11.11	\$ 0.03215	12,000,000.00				12,000,000.00	0.00	11,250,000.00	0.00	750,000.00
	2	2008.07.04	2009.09.15		2018.5.25	2006.06.15	\$ 0.03215	8,800,000.00			3,080,000.00	11,880,000.00	0.00	7,150,000.00	0.00	4,730,000.00
	3	2008.07.04			2018.5.25	2000.01.01	\$ 0.03215	6,000,000.00				6,000,000.00	0.00	5,625,000.00	0.00	375,000.00
	4	2008.07.04			2018.5.25	2006.06.14	\$ 0.03215	5,200,000.00				5,200,000.00	3,960,000.00	0.00	1,240,000.00	0.00
	5	2008.07.04		2009.09.15	2018.5.25	2007.03.19	\$ 0.03215	4,000,000.00			800,000.00	4,800,000.00	0.00	2,500,000.00	0.00	2,300,000.00
	6	2008.07.04		2009.09.15	2018.5.25	2000.01.01	\$ 0.03215	3,000,000.00			600,000.00	3,600,000.00	0.00	2,812,500.00	0.00	787,500.00
	7	2008.07.04		2009.09.15	2018.5.25	2000.01.01	\$ 0.03215	3,000,000.00			600,000.00	3,600,000.00	0.00	2,812,500.00	0.00	787,500.00
	8	2008.07.04		2009.09.15	2018.5.25	2007.09.10	\$ 0.03215	2,400,000.00			480,000.00	2,880,000.00	0.00	1,200,000.00	0.00	1,680,000.00
	161	2008.07.04		2009.09.15	2018.5.25	2006.04.17	\$ 0.03215	1,080,000.00			216,000.00	1,296,000.00	0.00	945,000.00	0.00	351,000.00
	325	2008.07.04			2018.5.25	2006.06.28	\$ 0.03215	1,080,000.00				1,080,000.00	0.00	877,500.00	0.00	202,500.00
	267	2008.07.04			2018.5.25	2008.01.08	\$ 0.03215	1,080,000.00				1,080,000.00	1,080,000.00	0.00	0.00	0.00
	45	2008.07.04		2009.09.15	2018.5.25	2006.02.13	\$ 0.03215	1,050,000.00			210,000.00	1,260,000.00	0.00	918,750.00	0.00	341,250.00
	313	2008.07.04		2009.09.15	2018.5.25	2000.04.01	\$ 0.03215	840,000.00			168,000.00	1,008,000.00	0.00	787,500.00	0.00	220,500.00
	51	2008.07.04		2009.09.15	2018.5.25	2006.07.19	\$ 0.03215	840,000.00			168,000.00	1,008,000.00	0.00	682,500.00	0.00	325,500.00
	187	2008.07.04		2009.09.15	2018.5.25	2000.01.01	\$ 0.03215	720,000.00			144,000.00	864,000.00	0.00	675,000.00	0.00	189,000.00
	269	2008.07.04		2009.09.15	2018.5.25	2007.03.20	\$ 0.03215	720,000.00			144,000.00	864,000.00	0.00	450,000.00	0.00	414,000.00
	268	2008.07.04			2018.5.25	2007.06.04	\$ 0.03215	720,000.00				720,000.00	720,000.00	0.00	0.00	0.00
	314	2008.07.04			2018.5.25	2006.08.18	\$ 0.03215	680,000.00				680,000.00	340,000.00	0.00	340,000.00	0.00
	207	2008.07.04		2009.09.15	2018.5.25	2006.07.05	\$ 0.03215	600,000.00			120,000.00	720,000.00	0.00	487,500.00	0.00	232,500.00
	208	2008.07.04		2009.09.15	2018.5.25	2006.07.05	\$ 0.03215	600,000.00				600,000.00	150,000.00	0.00	450,000.00	0.00
	270	2008.07.04		2009.09.15	2018.5.25	2008.02.14	\$ 0.03215	550,000.00			110,000.00	660,000.00	0.00	206,250.00	0.00	453,750.00
	330	2008.07.04		2009.09.15	2018.5.25	2008.01.15	\$ 0.03215	540,000.00			108,000.00	648,000.00	0.00	236,250.00	0.00	411,750.00
	331	2008.07.04		2009.09.15	2018.5.25	2005.08.03	\$ 0.03215	480,000.00			72,000.00	552,000.00	0.00	450,000.00	0.00	102,000.00
	123	2008.07.04		2009.09.15	2018.5.25	2005.04.21	\$ 0.03215	480,000.00			72,000.00	552,000.00	0.00	450,000.00	0.00	102,000.00
	206	2008.07.04		2009.09.15	2018.5.25	2007.01.04	\$ 0.03215	480,000.00			22,000.00	502,000.00	0.00	330,000.00	0.00	172,000.00
	275	2008.07.04		2009.09.15	2018.5.25	2002.01.01	\$ 0.03215	460,000.00			69,000.00	529,000.00	0.00	431,250.00	0.00	97,750.00
	276	2008.07.04		2009.09.15	2018.5.25	2006.01.15	\$ 0.03215	440,000.00			66,000.00	506,000.00	0.00	412,500.00	0.00	93,500.00
	315	2008.07.04			2018.5.25	2008.05.26	\$ 0.03215	440,000.00				440,000.00	440,000.00	0.00	0.00	0.00
	277	2008.07.04		2009.09.15	2018.5.25	2007.04.02	\$ 0.03215	420,000.00				420,000.00	0.00	262,500.00	0.00	220,500.00
	124	2008.07.04		2009.09.15	2018.5.25	2006.06.01	\$ 0.03215	400,000.00			100,000.00	500,000.00	0.00	325,000.00	0.00	175,000.00
	150	2008.07.04		2009.09.15	2018.5.25	2007.05.14	\$ 0.03215	400,000.00			60,000.00	460,000.00	0.00	225,000.00	0.00	235,000.00
	9	2008.07.04		2009.09.15	2018.5.25	2006.03.08	\$ 0.03215	360,000.00			54,000.00	414,000.00	0.00	315,000.00	0.00	99,000.00
	209	2008.07.04		2009.09.15	2018.5.25	2007.01.04	\$ 0.03215	350,000.00			200,000.00	550,000.00	0.00	240,625.00	0.00	309,375.00
	10	2008.07.04		2009.09.15	2018.5.25	2006.04.10	\$ 0.03215	280,000.00			20,000.00	300,000.00	0.00	245,000.00	0.00	55,000.00
	11	2008.07.04		2009.09.15	2018.5.25	2006.05.15	\$ 0.03215	280,000.00			20,000.00	300,000.00	0.00	227,500.00	0.00	72,500.00

	52	2008.07.04			2018.5.25	2004.08.25	\$ 0.03215	200,000.00				200,000.00	200,000.00	0.00	0.00	0.00
	255	2008.07.04			2018.5.25	2006.04.17	\$ 0.03215	200,000.00				200,000.00	50,000.00	0.00	150,000.00	0.00
	256	2008.07.04		2009.09.15	2018.5.25	2006.08.16	\$ 0.03215	200,000.00			100,000.00	300,000.00	0.00	150,000.00	0.00	150,000.00
	317	2008.07.04		2009.09.15	2018.5.25	2006.09.11	\$ 0.03215	200,000.00			30,000.00	230,000.00	0.00	150,000.00	0.00	80,000.00
	278	2008.07.04		2009.09.15	2018.5.25	2008.05.26	\$ 0.03215	200,000.00			100,000.00	300,000.00	0.00	62,500.00	0.00	237,500.00
	290	2008.07.04		2009.09.15	2018.5.25	2007.12.29	\$ 0.03215	150,000.00			20,000.00	170,000.00	0.00	65,625.00	0.00	104,375.00
	79	2008.07.04			2018.5.25	2004.02.23	\$ 0.03215	100,000.00				100,000.00	0.00	93,750.00	0.00	6,250.00
	211	2008.07.04			2018.5.25	2006.08.03	\$ 0.03215	120,000.00				120,000.00	0.00	90,000.00	0.00	30,000.00
	205	2008.07.04		2009.09.15	2018.5.25	2007.03.06	\$ 0.03215	120,000.00			18,000.00	138,000.00	0.00	75,000.00	0.00	63,000.00
	210	2008.07.04		2009.07.31	2018.5.25	2000.07.01	\$ 0.03215	120,000.00			300,000.00	60,000.00	480,000.00	0.00	112,500.00	0.00
	166	2008.07.04		2009.09.15	2018.5.25	2008.01.02	\$ 0.03215	100,000.00			10,000.00	110,000.00	0.00	43,750.00	0.00	66,250.00
	132	2008.07.04			2018.5.25	2005.05.16	\$ 0.03215	100,000.00				100,000.00	0.00	93,750.00	0.00	6,250.00
	134	2008.07.04		2009.09.15	2018.5.25	2005.07.01	\$ 0.03215	100,000.00			10,000.00	110,000.00	0.00	93,750.00	0.00	16,250.00
	216	2008.07.04			2018.5.25	2003.07.01	\$ 0.03215	100,000.00				100,000.00	0.00	93,750.00	0.00	6,250.00
	73	2008.07.04			2018.5.25	2006.01.16	\$ 0.03215	100,000.00				100,000.00	0.00	93,750.00	0.00	6,250.00
	165	2008.07.04			2018.5.25	2007.08.27	\$ 0.03215	100,000.00				100,000.00	100,000.00	0.00	0.00	0.00
	82	2008.07.04		2009.09.15	2018.5.25	2006.09.06	\$ 0.03215	100,000.00			20,000.00	120,000.00	0.00	75,000.00	0.00	45,000.00
	13	2008.07.04		2009.09.15	2018.5.25	2007.05.10	\$ 0.03215	100,000.00			20,000.00	120,000.00	0.00	56,250.00	0.00	63,750.00
	14	2008.07.04		2009.09.15	2018.5.25	2007.05.21	\$ 0.03215	100,000.00			20,000.00	120,000.00	0.00	56,250.00	0.00	63,750.00
	12	2008.07.04		2009.09.15	2018.5.25	2007.05.23	\$ 0.03215	100,000.00			20,000.00	120,000.00	0.00	56,250.00	0.00	63,750.00
	76	2008.07.04		2009.09.15	2018.5.25	2007.05.04	\$ 0.03215	100,000.00			10,000.00	110,000.00	0.00	62,500.00	0.00	47,500.00
	167	2008.07.04		2009.09.15	2018.5.25	2007.06.18	\$ 0.03215	100,000.00			10,000.00	110,000.00	0.00	56,250.00	0.00	53,750.00
	188	2008.07.04		2009.09.15	2018.5.25	2000.01.01	\$ 0.03215	100,000.00			10,000.00	110,000.00	0.00	93,750.00	0.00	16,250.00
	181	2008.07.04		2009.09.15	2018.5.25	2008.05.26	\$ 0.03215	9								

283	2008.07.04		2018.5.25	2007.09.17	\$ 0.03215	24,000.00		24,000.00	0.00	12,000.00	0.00	12,000.00
289	2008.07.04		2018.5.25	2007.09.17	\$ 0.03215	24,000.00		24,000.00	0.00	12,000.00	0.00	12,000.00
280	2008.47.04		2018.5.25	2007.09.24	\$ 0.03215	24,000.00		24,000.00	0.00	12,000.00	0.00	12,000.00
54	2008.07.04	2009.09.15	2018.5.25	2008.02.15	\$ 0.03215	24,000.00	10,000.00	34,000.00	0.00	9,000.00	0.00	25,000.00
103	2008.07.04	2009.09.15	2018.5.25	2008.03.10	\$ 0.03215	22,400.00	52,000.00	74,400.00	0.00	8,400.00	0.00	66,000.00
35	2008.07.04		2018.5.25	2006.04.17	\$ 0.03215	22,000.00		22,000.00	0.00	19,250.00	0.00	2,750.00
18	2008.07.04		2018.5.25	2006.09.25	\$ 0.03215	22,000.00		22,000.00	6,875.00	0.00	15,125.00	0.00
38	2008.07.04		2018.5.25	2003.04.01	\$ 0.03215	20,000.00		20,000.00	20,000.00	0.00	0.00	0.00
163	2008.07.04		2018.5.25	2005.10.08	\$ 0.03215	20,000.00		20,000.00	0.00	18,750.00	0.00	1,250.00
176	2008.07.04		2018.5.25	2004.06.14	\$ 0.03215	20,000.00		20,000.00	0.00	18,750.00	0.00	1,250.00
154	2008.07.04		2018.5.25	2005.01.10	\$ 0.03215	20,000.00		20,000.00	0.00	18,750.00	0.00	1,250.00
83	2008.07.04		2018.5.25	2006.10.08	\$ 0.03215	20,000.00		20,000.00	0.00	15,000.00	0.00	5,000.00
233	2008.07.04		2018.5.25	2006.04.03	\$ 0.03215	20,000.00		20,000.00	0.00	17,500.00	0.00	2,500.00
241	2008.07.04		2018.5.25	2006.06.19	\$ 0.03215	20,000.00		20,000.00	0.00	16,250.00	0.00	3,750.00

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218	2008.07.04		2018.5.25	2006.07.26	\$ 0.03215	20,000.00		20,000.00	0.00	16,250.00	0.00	3,750.00
139	2008.07.04		2018.5.25	2006.07.31	\$ 0.03215	20,000.00		20,000.00	0.00	16,250.00	0.00	3,750.00
151	2008.07.04		2018.5.25	2006.08.14	\$ 0.03215	20,000.00		20,000.00	0.00	15,000.00	0.00	5,000.00
323	2008.07.04		2018.5.25	2006.08.27	\$ 0.03215	20,000.00		20,000.00	0.00	15,000.00	0.00	5,000.00
242	2008.07.04		2018.5.25	2007.01.15	\$ 0.03215	20,000.00		20,000.00	0.00	13,750.00	0.00	6,250.00
129	2008.07.04		2018.5.25	2007.01.08	\$ 0.03215	20,000.00		20,000.00	0.00	13,750.00	0.00	6,250.00
106	2008.07.04		2018.5.25	2007.03.19	\$ 0.03215	20,000.00		20,000.00	0.00	12,500.00	0.00	7,500.00
135	2008.07.04		2018.5.25	2007.03.28	\$ 0.03215	20,000.00		20,000.00	8,750.00	0.00	11,250.00	0.00
81	2008.07.04		2018.5.25	2007.06.01	\$ 0.03215	20,000.00		20,000.00	0.00	11,250.00	0.00	8,750.00
37	2008.07.04		2018.5.25	2007.06.25	\$ 0.03215	20,000.00		20,000.00	0.00	11,250.00	0.00	8,750.00
217	2008.07.04		2018.5.25	2007.07.26	\$ 0.03215	20,000.00		20,000.00	20,000.00	0.00	0.00	0.00
164	2008.07.04	2009.09.15	2018.5.25	2007.09.03	\$ 0.03215	20,000.00	10,000.00	30,000.00	0.00	10,000.00	0.00	20,000.00
284	2008.07.04		2018.5.25	2008.03.24	\$ 0.03215	20,000.00		20,000.00	0.00	7,500.00	0.00	12,500.00
282	2008.07.04		2018.5.25	2008.03.25	\$ 0.03215	20,000.00		20,000.00	0.00	7,500.00	0.00	12,500.00
155	2008.07.04		2018.5.25	2007.12.26	\$ 0.03215	19,000.00		19,000.00	0.00	8,312.50	0.00	10,687.50
104	2008.07.04		2018.5.25	2007.02.07	\$ 0.03215	19,000.00		19,000.00	0.00	11,875.00	0.00	7,125.00
105	2008.07.04		2018.5.25	2007.05.08	\$ 0.03215	19,000.00		19,000.00	0.00	10,687.50	0.00	8,312.50
219	2008.07.04		2018.5.25	2006.12.12	\$ 0.03215	16,000.00		16,000.00	0.00	11,000.00	0.00	5,000.00
234	2008.07.04		2018.5.25	2006.07.20	\$ 0.03215	16,000.00		16,000.00	0.00	13,000.00	0.00	3,000.00
128	2008.07.04		2018.5.25	2007.12.03	\$ 0.03215	16,000.00		16,000.00	0.00	7,000.00	0.00	9,000.00
220	2008.07.04		2018.5.25	2007.07.02	\$ 0.03215	16,000.00		16,000.00	0.00	9,000.00	0.00	7,000.00
327	2008.07.04		2018.5.25	2000.09.01	\$ 0.03215	15,200.00		15,200.00	0.00	14,250.00	0.00	950.00
336	2008.07.04		2018.5.25	2000.03.01	\$ 0.03215	15,200.00		15,200.00	0.00	14,250.00	0.00	950.00
337	2008.07.04	2009.09.15	2018.5.25	2007.06.18	\$ 0.03215	15,200.00	10,000.00	25,200.00	0.00	8,550.00	0.00	16,650.00
240	2008.07.04		2018.5.25	2008.03.12	\$ 0.03215	14,000.00		14,000.00	0.00	5,250.00	0.00	8,750.00
111	2008.07.04		2018.5.25	2007.08.02	\$ 0.03215	13,000.00		13,000.00	0.00	6,500.00	0.00	6,500.00
225	2008.07.04		2018.5.25	2007.10.23	\$ 0.03215	12,000.00		12,000.00	0.00	6,000.00	0.00	6,000.00
223	2008.07.04		2018.5.25	2007.10.08	\$ 0.03215	12,000.00		12,000.00	0.00	6,000.00	0.00	6,000.00
226	2008.07.04		2018.5.25	2007.11.15	\$ 0.03215	12,000.00		12,000.00	12,000.00	0.00	0.00	0.00
227	2008.07.04		2018.5.25	2007.12.10	\$ 0.03215	12,000.00		12,000.00	0.00	5,250.00	0.00	6,750.00
257	2008.07.04		2018.5.25	2007.04.16	\$ 0.03215	12,000.00		12,000.00	12,000.00	0.00	0.00	0.00
244	2008.07.04		2018.5.25	2007.06.26	\$ 0.03215	12,000.00		12,000.00	0.00	6,750.00	0.00	5,250.00
245	2008.07.04		2018.5.25	2007.06.28	\$ 0.03215	12,000.00		12,000.00	0.00	6,750.00	0.00	5,250.00
221	2008.07.04		2018.5.25	2008.01.28	\$ 0.03215	12,000.00		12,000.00	0.00	5,250.00	0.00	6,750.00
224	2008.07.04		2018.5.25	2008.01.06	\$ 0.03215	12,000.00		12,000.00	12,000.00	0.00	0.00	0.00
55	2008.07.04		2018.5.25	2008.03.17	\$ 0.03215	12,000.00		12,000.00	0.00	4,500.00	0.00	7,500.00
222	2008.07.04		2018.5.25	2008.03.21	\$ 0.03215	12,000.00		12,000.00	0.00	4,500.00	0.00	7,500.00
60	2008.07.04		2018.5.25	2008.05.26	\$ 0.03215	12,000.00		12,000.00	0.00	3,750.00	0.00	8,250.00
75	2008.07.04		2018.5.25	2008.05.26	\$ 0.03215	12,000.00		12,000.00	0.00	3,750.00	0.00	8,250.00

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39	2008.07.04		2018.5.25	2007.10.15	\$ 0.03215	11,000.00		11,000.00	11,000.00	0.00	0.00	0.00
36	2008.07.04		2018.5.25	2008.05.04	\$ 0.03215	11,000.00		11,000.00	0.00	3,437.50	0.00	7,562.50
87	2008.07.04		2018.5.25	2007.10.10	\$ 0.03215	10,000.00		10,000.00	10,000.00	0.00	0.00	0.00
237	2008.07.04		2018.5.25	2006.11.06	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
246	2008.07.04		2018.5.25	2006.07.10	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
258	2008.07.04		2018.5.25	2006.09.04	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
259	2008.07.04		2018.5.25	2007.10.08	\$ 0.03215	8,000.00		8,000.00	0.00	4,000.00	0.00	4,000.00
236	2008.07.04		2018.5.25	2007.09.03	\$ 0.03215	8,000.00		8,000.00	4,500.00	0.00	3,500.00	0.00
229	2008.07.04		2018.5.25	2008.02.25	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
230	2008.07.04		2018.5.25	2008.02.29	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
235	2008.07.04		2018.5.25	2008.04.28	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
302	2008.07.04		2018.5.25	2005.07.20	\$ 0.03215	6,000.00		6,000.00	0.00	5,625.00	0.00	375.00
189	2008.07.04		2018.5.25	2000.01.01	\$ 0.03215	6,000.00		6,000.00	0.00	5,625.00	0.00	375.00
190	2008.07.04		2018.5.25	2005.04.25	\$ 0.03215	6,000.00		6,000.00	0.00	5,625.00	0.00	375.00
183	2008.07.04		2018.5.25	2006.10.08	\$ 0.03215	6,000.00		6,000.00	0.00	4,500.00	0.00	1,500.00
191	2000.07.04		2018.5.25	2006.10.08	\$ 0.03215	6,000.00		6,000.00	6,000.00	0.00	0.00	0.00
299	2008.07.04		2018.5.25	2006.12.11	\$ 0.03215	6,000.00		6,000.00	0.00	4,125.00	0.00	1,875.00
85	2008.07.04		2018.5.25	2006.12.11	\$ 0.03215	6,000.00		6,000.00	2,250.00	0.00	3,750.00	0.00
136	2008.07.04		2018.5.25	2006.03.01	\$ 0.03215	6,000.00		6,000.00	6,000.00	0.00	0.00	0.00
300	2008.07.04		2018.5.25	2006.03.13	\$ 0.03215	6,000.00		6,000.00	0.00	5,250.00	0.00	750.00
310	2008.07.04		2018.5.25	2006.04.03	\$ 0.03215	6,000.00		6,000.00	6,000.00	0.00	0.00	0.00
175	2008.07.04		2018.5.25	2006.06.01	\$ 0.03215	6,000.00		6,000.00	0.00	4,875.00	0.00	1,125.00
152	2008.07.04		2018.5.25	2006.07.10	\$ 0.03215	6,000.00		6,000.00	2,500.00	0.00	3,500.00	0.00
126	2008.07.04		2018.5.25	2006.09.20	\$ 0.03215	6,000.00		6,000.00	6,000.00	0.00	0.00	0.00
301	2008.07.04		2018.5.25	2006.09.04	\$ 0.03215	6,000.00		6,000.00	0.00	4,500.00	0.00	1,500.00
116	2008.07.04		2018.5.25	2007.01.29	\$ 0.03215	6,000.00		6,000.00	0.00	4,125.00	0.00	1,875.00
143	2008.07.04		2018.5.25	2007.10.10	\$ 0.03215	6,000.00		6,000.00	0.00	3,000.00	0.00	3,000.00
157	2008.07.04		2018.5.25	2007.10.23	\$ 0.03215	6,000.00		6,000.00	0.00	3,000.00	0.00	3,000.00
142	2008.07.04		2018.5.25	2007.10.29								







		308	2008.07.04			2018.5.25	2008.05.19	\$ 0.03215	3,000.00		3,000.00	0.00	937.50	0.00	2,062.50
		100	2008.07.04			2018.5.25	2008.05.19	\$ 0.03215	3,000.00		3,000.00	0.00	937.50	0.00	2,062.50
		99	2008.07.04			2018.5.25	2008.05.20	\$ 0.03215	3,000.00		3,000.00	3,000.00	0.00	0.00	0.00
		97	2008.07.04			2018.5.25	2008.05.22	\$ 0.03215	3,000.00		3,000.00	0.00	937.50	0.00	2,062.50
		305	2008.07.04			2018.5.25	2008.05.23	\$ 0.03215	3,000.00		3,000.00	0.00	937.50	0.00	2,062.50
		98	2008.07.04			2018.5.25	2008.05.23	\$ 0.03215	3,000.00		3,000.00	3,000.00	0.00	0.00	0.00
		46	2008.07.04			2018.5.25	2008.05.26	\$ 0.03215	3,000.00		3,000.00	3,000.00	0.00	0.00	0.00
		47	2008.07.04			2018.5.25	2008.05.26	\$ 0.03215	3,000.00		3,000.00	0.00	937.50	0.00	2,062.50
		56	2008.07.04			2018.5.25	2008.05.26	\$ 0.03215	3,000.00		3,000.00	0.00	937.50	0.00	2,062.50
		69	2008.07.04			2018.5.25	2008.05.26	\$ 0.03215	3,000.00		3,000.00	0.00	937.50	0.00	2,062.50
		72	2008.07.04			2018.5.25	2008.05.26	\$ 0.03215	3,000.00		3,000.00	0.00	937.50	0.00	2,062.50
		118	2008.07.04			2018.5.25	2008.05.26	\$ 0.03215	3,000.00		3,000.00	0.00	937.50	0.00	2,062.50
		101	2008.07.04			2018.5.25	2008.05.04	\$ 0.03215	3,000.00		3,000.00	3,000.00	0.00	0.00	0.00
		149	2008.07.04			2018.5.25	2008.05.06	\$ 0.03215	3,000.00		3,000.00	0.00	937.50	0.00	2,062.50
		253	2008.07.04			2018.5.25	2006.12.15	\$ 0.03215	1,200.00		1,200.00	1,200.00	0.00	0.00	0.00
		195	2008.07.04			2018.5.25	2007.01.04	\$ 0.03215	1,200.00		1,200.00	0.00	825.00	0.00	375.00
		199	2008.07.04			2018.5.25	2007.12.21	\$ 0.03215	1,200.00		1,200.00	0.00	525.00	0.00	675.00

		198	2008.07.04			2018.5.25	2007.02.10	\$ 0.03215	1,200.00		1,200.00	0.00	750.00	0.00	450.00
		196	2008.07.04			2018.5.25	2007.02.05	\$ 0.03215	1,200.00		1,200.00	1,200.00	0.00	0.00	0.00
		197	2008.07.04			2018.5.25	2007.02.09	\$ 0.03215	1,200.00		1,200.00	1,200.00	0.00	0.00	0.00
		266	2008.07.04			2018.5.25	2007.05.28	\$ 0.03215	1,200.00		1,200.00	0.00	675.00	0.00	525.00
		250	2008.07.04			2018.5.25	2007.05.08	\$ 0.03215	1,200.00		1,200.00	0.00	675.00	0.00	525.00
		252	2008.07.04			2018.5.25	2007.06.27	\$ 0.03215	1,200.00		1,200.00	0.00	675.00	0.00	525.00
		202	2008.07.04			2018.5.25	2007.07.12	\$ 0.03215	1,200.00		1,200.00	1,200.00	0.00	0.00	0.00
		204	2008.07.04			2018.5.25	2007.07.13	\$ 0.03215	1,200.00		1,200.00	1,200.00	0.00	0.00	0.00
		203	2008.07.04			2018.5.25	2007.07.31	\$ 0.03215	1,200.00		1,200.00	0.00	675.00	0.00	525.00
		248	2008.07.04			2018.5.25	2008.04.01	\$ 0.03215	1,200.00		1,200.00	0.00	450.00	0.00	750.00
		254	2008.07.04			2018.5.25	2008.04.10	\$ 0.03215	1,200.00		1,200.00	1,200.00	0.00	0.00	0.00
		194	2008.07.04			2018.5.25	2008.04.14	\$ 0.03215	1,200.00		1,200.00	1,200.00	0.00	0.00	0.00
		200	2008.07.04			2018.5.25	2008.04.14	\$ 0.03215	1,200.00		1,200.00	0.00	450.00	0.00	750.00
		201	2008.07.04			2018.5.25	2008.04.14	\$ 0.03215	1,200.00		1,200.00	0.00	450.00	0.00	750.00
		251	2008.07.04			2018.5.25	2008.04.21	\$ 0.03215	1,200.00		1,200.00	0.00	450.00	0.00	750.00
		239	2008.07.04			2018.5.25	2008.04.07	\$ 0.03215	1,200.00		1,200.00	1,200.00	0.00	0.00	0.00
		193	2008.07.04			2018.5.25	2008.05.26	\$ 0.03215	1,200.00		1,200.00	1,200.00	0.00	0.00	0.00
		247	2008.07.04			2018.5.25	2008.05.26	\$ 0.03215	1,200.00		1,200.00	0.00	375.00	0.00	825.00
		57	2008.11.05	2009.09.15		2018.5.25	2008.11.05	\$ 0.03215	560,000.00	112,000.00	672,000.00	0.00	0.00	0.00	672,000.00
		58	2008.11.19			2018.5.25	2008.11.19	\$ 0.03215	45,000.00		45,000.00	45,000.00	0.00	0.00	0.00
		138	2008.11.18			2018.5.25	2008.11.18	\$ 0.03215	240,000.00		240,000.00	0.00	0.00	0.00	240,000.00
		162	2008.11.26			2018.5.25	2008.11.26	\$ 0.03215	80,000.00		80,000.00	80,000.00	0.00	0.00	0.00
		172	2008.11.26	2009.09.15		2018.5.25	2008.11.26	\$ 0.03215	400,000.00	40,000.00	440,000.00	0.00	0.00	0.00	440,000.00
		214	2008.11.27			2018.5.25	2008.11.27	\$ 0.03215	40,000.00		40,000.00	40,000.00	0.00	0.00	0.00
		228	2008.11.28			2018.5.25	2008.11.28	\$ 0.03215	9,000.00		9,000.00	0.00	0.00	0.00	9,000.00
		339		2009.07.31	2009.09.15	2018.5.25	2009.02.01	\$ 0.03215		400,000.00	40,000.00	440,000.00	0.00	0.00	440,000.00
		340		2009.07.31	2009.09.15	2018.5.25	2009.01.04	\$ 0.03215	2,500,000.00	500,000.00	3,000,000.00	0.00	0.00	0.00	3,000,000.00
		341		2009.07.31	2009.09.15	2018.5.25	2009.01.12	\$ 0.03215	259,200.00	30,000.00	289,200.00	0.00	0.00	0.00	289,200.00
		342		2009.07.31	2009.09.15	2018.5.25	2009.02.09	\$ 0.03215	1,600,000.00	320,000.00	1,920,000.00	0.00	0.00	0.00	1,920,000.00
		343		2009.07.31		2018.5.25	2009.02.16	\$ 0.03215	400,000.00		400,000.00	0.00	0.00	0.00	400,000.00
		344		2009.07.31	2009.09.15	2018.5.25	2009.03.06	\$ 0.03215	259,200.00	30,000.00	289,200.00	0.00	0.00	0.00	289,200.00
		345		2009.07.31	2009.09.15	2018.5.25	2009.04.01	\$ 0.03215	94,500.00	20,000.00	114,500.00	0.00	0.00	0.00	114,500.00
		346		2009.07.31		2018.5.25	2009.03.16	\$ 0.03215	3,100,000.00		3,100,000.00	0.00	0.00	0.00	3,100,000.00
		348		2009.07.31	2009.09.15	2018.5.25	2009.05.18	\$ 0.03215	402,500.00	50,000.00	452,500.00	0.00	0.00	0.00	452,500.00
		349		2009.07.31	2009.09.15	2018.5.25	2009.07.01	\$ 0.03215	402,500.00	50,000.00	452,500.00	0.00	0.00	0.00	452,500.00
		350		2009.07.31		2018.5.25	2009.07.01	\$ 0.03215	24,000.00		24,000.00	0.00	0.00	0.00	24,000.00
		351		2009.07.31	2009.09.15	2018.5.25	2009.07.10	\$ 0.03215	165,600.00	30,000.00	195,600.00	0.00	0.00	0.00	195,600.00
		352		2009.07.31	2009.09.15	2018.5.25	2009.02.13	\$ 0.03215	32,000.00	4,800.00	36,800.00	0.00	0.00	0.00	36,800.00
		353		2009.07.31		2018.5.25	2009.03.11	\$ 0.03215	32,000.00		32,000.00	0.00	0.00	0.00	32,000.00

		354	2009.07.31	2018.5.25	2009.03.17	\$ 0.03215			32,000.00	32,000.00	0.00	0.00	0.00	0.00	32,000.00
		355	2009.07.31	2018.5.25	2009.04.27	\$ 0.03215			14,000.00	14,000.00	0.00	0.00	0.00	0.00	14,000.00
		356	2009.07.31	2018.5.25	2008.07.24	\$ 0.03215			100,000.00	100,000.00	0.00	31,250.00	0.00	0.00	68,750.00
		357	2009.07.31	2009.09.15	2018.5.25	2009.03.16	\$ 0.03215		16,000.00	20,000.00	36,000.00	0.00	0.00	0.00	36,000.00
		358	2009.07.31	2018.5.25	2009.04.07	\$ 0.03215			14,000.00	14,000.00	0.00	0.00	0.00	0.00	14,000.00
		359	2009.07.31	2018.5.25	2008.07.09	\$ 0.03215			48,000.00	48,000.00	0.00	15,000.00	0.00	0.00	33,000.00
		360	2009.07.31	2018.5.25	2009.02.11	\$ 0.03215			32,000.00	32,000.00	0.00	0.00	0.00	0.00	32,000.00
		361	2009.07.31	2018.5.25	2009.05.08	\$ 0.03215			35,000.00	35,000.00	0.00	0.00	0.00	0.00	35,000.00
		362	2009.07.31	2018.5.25	2009.05.08	\$ 0.03215			35,000.00	35,000.00	0.00	0.00	0.00	0.00	35,000.00
		363	2009.07.31	2018.5.25	2009.05.25	\$ 0.03215			35,000.00	35,000.00	0.00	0.00	0.00	0.00	35,000.00
		364	2009.07.31	2018.5.25	2009.06.08	\$ 0.03215			28,000.00	28,000.00	0.00	0.00	0.00	0.00	28,000.00
		365	2009.07.31	2009.09.15	2018.5.25	2009.07.25	\$ 0.03215		24,000.00	96,000.00	120,000.00	0.00	0.00	0.00	120,000.00
		366	2009.07.31	2009.09.15	2018.5.25	2009.06.22	\$ 0.03215		168,000.00	25,200.00	193,200.00	0.00	0.00	0.00	193,200.00
		367	2009.07.31	2018.5.25	2009.04.12	\$ 0.03215			8,400.00	8,400.00	0.00	0.00	0.00	0.00	8,400.00
		368	2009.07.31	2009.09.15	2018.5.25	2009.07.29	\$ 0.03215		24,000.00	10,000.00	34,000.00	0.00	0.00	0.00	34,000.00
		369		2009.09.15	2018.5.25	2009.05.25	\$ 0.03215			14,000.00	14,000.00	0.00	0.00	0.00	14,000.00
		370		2009.09.15	2018.5.25	2009.06.08	\$ 0.03215			14,000.00	14,000.00	0.00	0.00	0.00	14,000.00
		371		2009.09.15	2018.5.25	2009.07.25	\$ 0.03215			9,600.00	9,600.00	0.00	0.00	0.00	9,600.00
		372		2009.09.15	2018.5.25	2009.06.2									

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	□		
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36		□□□	130529198306212299

□□□□

**B. Tian Ying**

□	□□	□□	□□□
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**SCHEDULE 7**

**REPRESENTATIONS AND WARRANTIES OF**

**THE PURCHASERS**

Each Purchaser, severally and not jointly, represents and warrants to the Company that the statements contained in this Schedule 7 attached hereto are true, correct and complete with respect to such Purchaser as of the Closing.

- Authorization.

Such Purchaser has full power, authority and legal capacity to enter into, deliver and perform the Transaction Documents. The Transaction Documents to which the Purchaser is a party, when executed and delivered by such Purchaser, will constitute valid and legally binding obligations of the Purchaser, enforceable in accordance with their terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and any other laws of general application affecting enforcement of creditors' rights generally, and as limited by laws relating to the availability of a specific performance, injunctive relief, or other equitable remedies, or (ii) to the extent the indemnification provisions contained in the Shareholders' Agreement may be limited by applicable securities laws.

2. Compliance with other Instruments.

The execution, delivery and performance by such Purchaser of the Transaction Documents does not and will not contravene, breach or violate the terms of any agreement, document or instrument to which such Purchaser is a party or by which any of such Purchaser's assets or properties are bound.

3. Disclosure of Information.

Such Purchaser has had an opportunity to discuss the Group Companies' business, management, financial affairs and the terms and conditions of the offering of the Preferred Shares with the Group Companies' management and has had an opportunity to review the Group Companies' facilities. The foregoing, however, does not limit or modify the representations and warranties of the Warrantors in Section 4 of this Agreement, or the right of the Purchasers to rely thereon save as set forth in the Disclosure Schedule.

4. Purchase Entirely for Own Account.

This Agreement is made with the Purchaser in reliance upon the Purchaser's representation to the Company, which by the Purchaser's execution of this Agreement, the Purchaser hereby confirms, that the Preferred Shares to be acquired by the Purchaser will be acquired for investment for the Purchaser's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Purchaser has no present intention of selling, granting any participation in, or otherwise

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distributing the same. By executing this Agreement, the Purchaser further represents that the Purchaser does not presently have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participations to such Person or to any third Person, with respect to any of the Preferred Shares. The Purchaser has not been formed for the specific purpose of acquiring the Preferred Shares.

5. Restricted Securities.

The Purchaser understands that the Preferred Shares have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Purchaser's representations as expressed herein. The Purchaser understands that the Preferred Shares are "**restricted securities**" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Purchaser must hold the Preferred Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. The Purchaser acknowledges that the Company has no obligation to register or qualify the Preferred Shares or the Conversion Shares for resale except as set forth in the Shareholders' Agreement. The Purchaser further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Preferred Shares, and on requirements relating to the Company which are outside of the Purchaser's control, and which the Company is under no obligation and may not be able to satisfy. The Purchaser understands that this offering is not intended to be part of the public offering, and that Purchaser will not be able to rely on the protection of Section 11 of the Securities Act.

6. No Public Market.

The Purchaser understands that no public market now exists for the Preferred Shares or the Conversion Shares, and that the Company has made no assurances that a public market will ever exist for the Preferred Shares or the Conversion Shares.

7. Legends.

The Purchaser understands that the Preferred Shares and any securities issued in respect of or exchange for the Shares, may bear one or all of the following legends:

- 7.1 "THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933."

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- 7.2 Any legend set forth in, or required by, the other Transaction Documents.

- 7.3 Any legend required by the securities laws of any state to the extent such laws are applicable to the Shares represented by the certificate so legended.

- 7.4 Each Purchaser consents to the Company making a notation on its records and giving instructions to any transfer agent in order to implement the restrictions on transfer established in this Schedule 7. The Company shall not be required to (i) transfer on its books any Shares which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (ii) to treat as owner of such Shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Shares shall have been so transferred.

8. Accredited Investor.

8.1 Each Purchaser is (a) an “accredited investor” within the meaning of Rule 501 of Regulation D promulgated under the Securities Act, as presently in effect, or (b) not an accredited investor and (i) is not a “U.S. Person” as defined in Regulation S of the Securities Act and is not purchasing the Preferred Shares for the account or benefit of any such U.S. Person, and (ii) was outside the United States at the time the buy order for the Preferred Shares was originated (a “**Non-U.S. Purchaser**”). If other than an individual, each Purchaser also represents either (a) it has not been organized for the purpose of acquiring the Preferred Shares or (b) if it has been organized for the purpose of acquiring the Preferred Shares, that all the equity owners of such entity are either (x) accredited investor or (y) non-accredited investors and (i) not U.S. Persons as defined in Regulation S of the Securities Act and are not purchasing the Preferred Shares for the account or benefit of any such U.S. Person(s), and (ii) were outside the United States at the time the buy order for the Preferred Shares was originated..

8.2 Each Purchaser is a professional investor as defined in the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

9. Domicile.

The office or offices of each Purchaser in which its principal place of business is located is either (i) outside the United States of America or (ii) expressly set forth in Schedule 1 as being the principal place of business of such Purchaser.

10. Tax Liability, Legal Representation.

Each Purchaser understands its own tax consequences with respect to this investment and the transactions contemplated by this Agreement. Each Purchaser has not relied on any statements or representations of the Company or any of its agents with respect to any tax matters. Each Purchaser understands that each such Purchaser (and not the Company) shall be responsible for its own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. Each Purchaser acknowledges that it has been advised to consult with its own legal counsel in connection with this investment.

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**SCHEDULE 8**

**CAPITALIZATION TABLE**

	Pre-Closing			Post Closing		
	Ordinary Shares	Series A Preferred Shares	%	Ordinary Shares	Series A Preferred Shares	%
<b>PHOENIX SATELLITE TELEVISION (B.V.I.) HOLDING LIMITED</b>	320,000,000	N/A	76.9231%	320,000,000	N/A	58.6081%
<b>Kou Zhipeng</b>	340,000	N/A	0.0817%	340,000	N/A	0.0623%
<b>Lan Bo</b>	3,500	N/A	0.0008%	3,500	N/A	0.0006%
<b>Wang Cheng</b>	1,240,000	N/A	0.2981%	1,240,000	N/A	0.2271%
<b>Liu Dan</b>	2,250	N/A	0.0005%	2,250	N/A	0.0004%
<b>Ke Wenxing</b>	15,000	N/A	0.0036%	15,000	N/A	0.0027%
<b>Xu Xinxin</b>	16,500	N/A	0.0040%	16,500	N/A	0.0030%
<b>Wu Zhaohui</b>	3,750	N/A	0.0009%	3,750	N/A	0.0007%
<b>Han Xu</b>	28,000	N/A	0.0067%	28,000	N/A	0.0051%
<b>Zhou Xiaolei</b>	150,000	N/A	0.0361%	150,000	N/A	0.0275%

	Pre-Closing			Post Closing		
	Ordinary Shares	Series A Preferred Shares	%	Ordinary Shares	Series A Preferred Shares	%
<b>Sun Yanna</b>	2,625	N/A	0.0006%	2,625	N/A	0.0005%
<b>Huang Rui</b>	11,250	N/A	0.0027%	11,250	N/A	0.0021%
Xia Minghua	2,625	N/A	0.0006%	2,625	N/A	0.0005%
Xu Xueling	18,000	N/A	0.0043%	18,000	N/A	0.0033%
Zhang Wei	15,125	N/A	0.0036%	15,125	N/A	0.0028%
Zhang Xueqin	937	N/A	0.0002%	937	N/A	0.0002%
Chen Tao	3,500	N/A	0.0008%	3,500	N/A	0.0006%
Zhang Jiantao	450,000	N/A	0.1082%	450,000	N/A	0.0824%
Yang Guang	18,000	N/A	0.0043%	18,000	N/A	0.0033%
Shu Yan	1,875	N/A	0.0005%	1,875	N/A	0.0003%
Wu Le	22,500	N/A	0.0054%	22,500	N/A	0.0041%
<b>Other Reserved Share Plan</b>	93,654,563	N/A	22.5131%	93,654,563	N/A	17.1529%
<b>Morningside</b>	N/A	N/A	N/A	N/A	62,400,000	11.4286%
<b>Intel</b>	N/A	N/A	N/A	N/A	52,000,000	9.5238%
<b>Bertelsmann</b>	N/A	N/A	N/A	N/A	15,600,000	2.8571%
<b>Total</b>	<b>416,000,000</b>		<b>100.000%</b>	<b>546,000,000</b>		<b>100.0000%</b>

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**SCHEDULE 9**

**OPTION LIST**

		OPTION 1	OPTION 2	OPTION 3	OPTION 4			080704	081100	090731	090915						
Name (Chinese)	Staff No.	Grant Date	Grant Date	Grant Date	Expiry Date	Entry Date	Exercise Price					Total Granted	Lapsed Granted	Vested Balance	Exercised Granted	Unvested Balance	
	1	2008.07.04			2018.5.25	2005.11.11	\$ 0.03215	12,000,000.00				12,000,000.00	0.00	11,250,000.00	0.00	750,000.00	
	2	2008.07.04			2018.5.25	2006.06.15	\$ 0.03215	8,800,000.00				3,080,000.00	0.00	7,150,000.00	0.00	4,730,000.00	
	3	2008.07.04		2009.09.15	2018.5.25	2000.01.01	\$ 0.03215	6,000,000.00				6,000,000.00	0.00	5,625,000.00	0.00	375,000.00	
	4	2008.07.04			2018.5.25	2006.06.14	\$ 0.03215	5,200,000.00				5,200,000.00	3,960,000.00	0.00	1,240,000.00	0.00	
	5	2008.07.04		2009.09.15	2018.5.25	2007.03.19	\$ 0.03215	4,000,000.00			800,000.00	4,800,000.00	0.00	2,500,000.00	0.00	2,300,000.00	
	6	2008.07.04		2009.09.15	2018.5.25	2000.01.01	\$ 0.03215	3,000,000.00			600,000.00	3,600,000.00	0.00	2,812,500.00	0.00	787,500.00	
	7	2008.07.04		2009.09.15	2018.5.25	2000.01.01	\$ 0.03215	3,000,000.00			600,000.00	3,600,000.00	0.00	2,812,500.00	0.00	787,500.00	
	8	2008.07.04		2009.09.15	2018.5.25	2007.09.10	\$ 0.03215	2,400,000.00			480,000.00	2,880,000.00	0.00	1,200,000.00	0.00	1,680,000.00	
	161	2008.07.04		2009.09.15	2018.5.25	2006.04.17	\$ 0.03215	1,080,000.00			216,000.00	1,296,000.00	0.00	945,000.00	0.00	351,000.00	
	325	2008.07.04			2018.5.25	2006.06.28	\$ 0.03215	1,080,000.00				1,080,000.00	0.00	877,500.00	0.00	202,500.00	
	267	2008.07.04			2018.5.25	2008.01.08	\$ 0.03215	1,080,000.00				1,080,000.00	1,080,000.00	0.00	0.00	0.00	
	45	2008.07.04		2009.09.15	2018.5.25	2006.02.13	\$ 0.03215	1,050,000.00			210,000.00	1,260,000.00	0.00	918,750.00	0.00	341,250.00	
	313	2008.07.04		2009.09.15	2018.5.25	2000.04.01	\$ 0.03215	840,000.00			168,000.00	1,008,000.00	0.00	787,500.00	0.00	220,500.00	
	51	2008.07.04		2009.09.15	2018.5.25	2006.07.19	\$ 0.03215	840,000.00			168,000.00	1,008,000.00	0.00	682,500.00	0.00	325,500.00	
	187	2008.07.04		2009.09.15	2018.5.25	2000.01.01	\$ 0.03215	720,000.00			144,000.00	864,000.00	0.00	675,000.00	0.00	189,000.00	
	269	2008.07.04		2009.09.15	2018.5.25	2007.03.20	\$ 0.03215	720,000.00			144,000.00	864,000.00	0.00	450,000.00	0.00	414,000.00	
	268	2008.07.04			2018.5.25	2007.06.04	\$ 0.03215	720,000.00				720,000.00	720,000.00	0.00	0.00	0.00	
	314	2008.07.04			2018.5.25	2006.08.18	\$ 0.03215	680,000.00				680,000.00	340,000.00	0.00	340,000.00	0.00	
	207	2008.07.04		2009.09.15	2018.5.25	2006.07.05	\$ 0.03215	600,000.00			120,000.00	720,000.00	0.00	487,500.00	0.00	232,500.00	
	208	2008.07.04		2009.09.15	2018.5.25	2006.07.05	\$ 0.03215	600,000.00				600,000.00	150,000.00	0.00	450,000.00	0.00	
	270	2008.07.04		2009.09.15	2018.5.25	2008.02.14	\$ 0.03215	550,000.00			110,000.00	660,000.00	0.00	206,250.00	0.00	453,750.00	
	330	2008.07.04		2009.09.15	2018.5.25	2008.01.15	\$ 0.03215	540,000.00			108,000.00	648,000.00	0.00	236,250.00	0.00	411,750.00	
	331	2008.07.04		2009.09.15	2018.5.25	2005.08.03	\$ 0.03215	480,000.00			72,000.00	552,000.00	0.00	450,000.00	0.00	102,000.00	
	123	2008.07.04		2009.09.15	2018.5.25	2005.04.21	\$ 0.03215	480,000.00			72,000.00	552,000.00	0.00	450,000.00	0.00	102,000.00	
	206	2008.07.04		2009.09.15	2018.5.25	2007.01.04	\$ 0.03215	480,000.00			22,000.00	502,000.00	0.00	330,000.00	0.00	172,000.00	
	275	2008.07.04		2009.09.15	2018.5.25	2002.01.01	\$ 0.03215	460,000.00			69,000.00	529,000.00	0.00	431,250.00	0.00	97,750.00	
	276	2008.07.04		2009.09.15	2018.5.25	2006.01.15	\$ 0.03215	440,000.00			66,000.00	506,000.00	0.00	412,500.00	0.00	93,500.00	
	315	2008.07.04			2018.5.25	2008.05.26	\$ 0.03215	440,000.00				440,000.00	440,000.00	0.00	0.00	0.00	
	277	2008.07.04		2009.09.15	2018.5.25	2007.04.02	\$ 0.03215	420,000.00			63,000.00	483,000.00	0.00	262,500.00	0.00	220,500.00	
	124	2008.07.04		2009.09.15	2018.5.25	2006.06.01	\$ 0.03215	400,000.00			100,000.00	500,000.00	0.00	325,000.00	0.00	175,000.00	
	150	2008.07.04		2009.09.15	2018.5.25	2007.05.14	\$ 0.03215	400,000.00			60,000.00	460,000.00	0.00	225,000.00	0.00	235,000.00	
	9	2008.07.04		2009.09.15	2018.5.25	2006.03.08	\$ 0.03215	360,000.00			54,000.00	414,000.00	0.00	315,000.00	0.00	99,000.00	
	209	2008.07.04		2009.09.15	2018.5.25	2007.01.04	\$ 0.03215	350,000.00			200,000.00	550,000.00	0.00	240,625.00	0.00	309,375.00	
	10	2008.07.04		2009.09.15	2018.5.25	2006.04.10	\$ 0.03215	280,000.00			20,000.00	300,000.00	0.00	245,000.00	0.00	55,000.00	
	11	2008.07.04		2009.09.15	2018.5.25	2006.05.15	\$ 0.03215	280,000.00			20,000.00	300,000.00	0.00	227,500.00	0.00	72,500.00	
	52	2008.07.04			2018.5.25	2004.08.25	\$ 0.03215	200,000.00				200,000.00	200,000.00	0.00	0.00	0.00	
	255	2008.07.04			2018.5.25	2006.04.17	\$ 0.03215	200,000.00				200,000.00	50,000.00	0.00	150,000.00	0.00	
	256	2008.07.04		2009.09.15	2018.5.25	2006.08.16	\$ 0.03215	200,000.00			100,000.00	300,000.00	0.00	150,000.00	0.00	150,000.00	
	317	2008.07.04		2009.09.15	2018.5.25	2006.09.11	\$ 0.03215	200,000.00			30,000.00	230,000.00	0.00	150,000.00	0.00	80,000.00	
	278	2008.07.04		2009.09.15	2018.5.25	2008.05.26	\$ 0.03215	200,000.00			100,000.00	300,000.00	0.00	62,500.00	0.00	237,500.00	
	290	2008.07.04		2009.09.15	2018.5.25	2007.12.29	\$ 0.03215	150,000.00			20,000.00	170,000.00	0.00	65,625.00	0.00	104,375.00	
	79	2008.07.04			2018.5.25	2004.02.23	\$ 0.03215	100,000.00				100,000.00	0.00	93,750.00	0.00	6,250.00	
	211	2008.07.04			2018.5.25	2006.08.03	\$ 0.03215	120,000.00				120,000.00	0.00	90,000.00	0.00	30,000.00	
	205	2008.07.04			2018.5.25	2007.03.06	\$ 0.03215	120,000.00			18,000.00	138,000.00	0.00	75,000.00	0.00	63,000.00	
	210	2008.07.04		2009.07.31	2018.5.25	2000.07.01	\$ 0.03215	120,000.00		300,000.00	60,000.00	480,000.00	0.00	112,500.00	0.00	367,500.00	
	166	2008.07.04		2009.09.15	2018.5.25	2008.01.02	\$ 0.03215	100,000.00			10,000.00	110,000.00	0.00	43,750.00	0.00	66,250.00	
	132	2008.07.04			2018.5.25	2005.05.16	\$ 0.03215	100,000.00				100,000.00	0.00	93,750.00	0.00	6,250.00	
	134	2008.07.04		2009.09.15	2018.5.25	2005.07.01	\$ 0.03215	100,000.00			10,000.00	110,000.00	0.00	93,750.00	0.00	16,250.00	
	216	2008.07.04			2018.5.25	2003.07.01	\$ 0.03215	100,000.00				100,000.00	0.00	93,750.00	0.00	6,250.00	
	73	2008.07.04			2018.5.25	2006.01.16	\$ 0.03215	100,000.00				100,000.00	0.00	93,750.00	0.00	6,250.00	
	165	2008.07.04			2018.5.25	2007.08.27	\$ 0.03215	100,000.00				100,000.00	100,000.00	0.00	0.00	0.00	
	82	2008.07.04		2009.09.15	2018.5.25	2006.09.06	\$ 0.03215	100,000.00			20,000.00	120,000.00	0.00	75,000.00	0.00	45,000.00	
	13	2008.07.04		2009.09.15	2018.5.25	2007.05.10	\$ 0.03215	100,000.00			20,000.00	120,000.00	0.00	56,250.00	0.00	63,750.00	
	14	2008.07.04		2009.09.15	2018.5.25	2007.05.21	\$ 0.03215	100,000.00			20,000.00	120,000.00	0.00	56,250.00	0.00	63,750.00	
	12	2008.07.04		2009.09.15	2018.5.25	2007.05.23	\$ 0.03215	100,000.00			20,000.00	120,000.00	0.00	56,250.00	0.00	63,750.00	
	76	2008.07.04		2009.09.15	2018.5.25	2007.05.04	\$ 0.03215	100,000.00			10,000.00	110,000.00	0.00	62,500.00	0.00	47,500.00	
	167	2008.07.04		2009.09.15	2018.5.25	2007.06.18	\$ 0.03215	100,000.00			10,000.00	110,000.00	0.00	56,250.00	0.00	53,750.00	
	188	2008.07.04		2009.09.15	2018.5.25	2000.01.01	\$ 0.03215	100,000.00			10,000.00	110,000.00	0.00	93,750.00	0.00	16,250.00	
	181	2008.07.04															



□□	35	2008.07.04		2018.5.25	2006.04.17	\$ 0.03215	22,000.00		22,000.00	0.00	19,250.00	0.00	2,750.00
□□	18	2008.07.04		2018.5.25	2006.09.25	\$ 0.03215	22,000.00		22,000.00	6,875.00	0.00	15,125.00	0.00
□□	38	2008.07.04		2018.5.25	2003.04.01	\$ 0.03215	20,000.00		20,000.00	20,000.00	0.00	0.00	0.00
□□	163	2008.07.04		2018.5.25	2005.10.08	\$ 0.03215	20,000.00		20,000.00	0.00	18,750.00	0.00	1,250.00
□□	176	2008.07.04		2018.5.25	2004.06.14	\$ 0.03215	20,000.00		20,000.00	0.00	18,750.00	0.00	1,250.00
□□	154	2008.07.04		2018.5.25	2005.01.10	\$ 0.03215	20,000.00		20,000.00	0.00	18,750.00	0.00	1,250.00
□□	83	2008.07.04		2018.5.25	2006.10.08	\$ 0.03215	20,000.00		20,000.00	0.00	15,000.00	0.00	5,000.00
□□	233	2008.07.04		2018.5.25	2006.04.03	\$ 0.03215	20,000.00		20,000.00	0.00	17,500.00	0.00	2,500.00
□□□	241	2008.07.04		2018.5.25	2006.06.19	\$ 0.03215	20,000.00		20,000.00	0.00	16,250.00	0.00	3,750.00

□□	218	2008.07.04		2018.5.25	2006.07.26	\$ 0.03215	20,000.00		20,000.00	0.00	16,250.00	0.00	3,750.00
□□□	139	2008.07.04		2018.5.25	2006.07.31	\$ 0.03215	20,000.00		20,000.00	0.00	16,250.00	0.00	3,750.00
□□	151	2008.07.04		2018.5.25	2006.08.14	\$ 0.03215	20,000.00		20,000.00	0.00	15,000.00	0.00	5,000.00
□□	323	2008.07.04		2018.5.25	2006.08.27	\$ 0.03215	20,000.00		20,000.00	0.00	15,000.00	0.00	5,000.00
□□□	242	2008.07.04		2018.5.25	2007.01.15	\$ 0.03215	20,000.00		20,000.00	0.00	13,750.00	0.00	6,250.00
□□□	129	2008.07.04		2018.5.25	2007.01.08	\$ 0.03215	20,000.00		20,000.00	0.00	13,750.00	0.00	6,250.00
□□	106	2000.07.04		2018.5.25	2007.03.19	\$ 0.03215	20,000.00		20,000.00	0.00	12,500.00	0.00	7,500.00
□□	135	2008.07.04		2018.5.25	2007.03.28	\$ 0.03215	20,000.00		20,000.00	8,750.00	0.00	11,250.00	0.00
□□□	81	2008.07.04		2018.5.25	2007.06.01	\$ 0.03215	20,000.00		20,000.00	0.00	11,250.00	0.00	8,750.00
□□□	37	2008.07.04		2018.5.25	2007.06.25	\$ 0.03215	20,000.00		20,000.00	0.00	11,250.00	0.00	8,750.00
□□□	217	2008.07.04		2018.5.25	2007.07.26	\$ 0.03215	20,000.00		20,000.00	20,000.00	0.00	0.00	0.00
□□□	164	2008.07.04	2009.09.15	2018.5.25	2007.09.03	\$ 0.03215	20,000.00	10,000.00	30,000.00	0.00	10,000.00	0.00	20,000.00
□□	284	2008.07.04		2018.5.25	2008.03.24	\$ 0.03215	20,000.00		20,000.00	0.00	7,500.00	0.00	12,500.00
□□	282	2008.07.04		2018.5.25	2008.03.25	\$ 0.03215	20,000.00		20,000.00	0.00	7,500.00	0.00	12,500.00
□□	155	2008.07.04		2018.5.25	2007.12.26	\$ 0.03215	19,000.00		19,000.00	0.00	8,312.50	0.00	10,687.50
□□	104	2008.07.04		2018.5.25	2007.02.07	\$ 0.03215	19,000.00		19,000.00	0.00	11,875.00	0.00	7,125.00
□□□	105	2008.07.04		2018.5.25	2007.05.08	\$ 0.03215	19,000.00		19,000.00	0.00	10,687.50	0.00	8,312.50
□□□	219	2008.07.04		2018.5.25	2006.12.12	\$ 0.03215	16,000.00		16,000.00	0.00	11,000.00	0.00	5,000.00
□□	234	2008.07.04		2018.5.25	2006.07.20	\$ 0.03215	16,000.00		16,000.00	0.00	13,000.00	0.00	3,000.00
□□	128	2008.07.04		2018.5.25	2007.12.03	\$ 0.03215	16,000.00		16,000.00	0.00	7,000.00	0.00	9,000.00
□□□	220	2008.07.04		2018.5.25	2007.07.02	\$ 0.03215	16,000.00		16,000.00	0.00	9,000.00	0.00	7,000.00
□□	327	2008.07.04		2018.5.25	2000.09.01	\$ 0.03215	15,200.00		15,200.00	0.00	14,250.00	0.00	950.00
□□	336	2008.07.04		2018.5.25	2000.03.01	\$ 0.03215	15,200.00		15,200.00	0.00	14,250.00	0.00	950.00
□□	337	2008.07.04		2018.5.25	2007.06.18	\$ 0.03215	15,200.00		15,200.00	0.00	8,550.00	0.00	16,650.00
□□□	240	2008.07.04	2009.09.15	2018.5.25	2008.03.12	\$ 0.03215	14,000.00	10,000.00	25,200.00	0.00	8,550.00	0.00	16,650.00
□□□	111	2008.07.04		2018.5.25	2007.08.02	\$ 0.03215	13,000.00		13,000.00	0.00	6,500.00	0.00	6,500.00
□□	225	2008.07.04		2018.5.25	2007.10.23	\$ 0.03215	12,000.00		12,000.00	0.00	6,000.00	0.00	6,000.00
□□□	223	2008.07.04		2018.5.25	2007.10.08	\$ 0.03215	12,000.00		12,000.00	0.00	6,000.00	0.00	6,000.00
□□□	226	2008.07.04		2018.5.25	2007.11.15	\$ 0.03215	12,000.00		12,000.00	12,000.00	0.00	0.00	0.00
□□□	227	2008.07.04		2018.5.25	2007.12.10	\$ 0.03215	12,000.00		12,000.00	0.00	5,250.00	0.00	6,750.00
□□	257	2008.07.04		2018.5.25	2007.04.16	\$ 0.03215	12,000.00		12,000.00	12,000.00	0.00	0.00	0.00
□□	244	2008.07.04		2018.5.25	2007.06.26	\$ 0.03215	12,000.00		12,000.00	0.00	6,750.00	0.00	5,250.00
□□	245	2008.07.04		2018.5.25	2007.06.28	\$ 0.03215	12,000.00		12,000.00	0.00	6,750.00	0.00	5,250.00
□□□	221	2008.07.04		2018.5.25	2008.01.28	\$ 0.03215	12,000.00		12,000.00	0.00	5,250.00	0.00	6,750.00
□□□	224	2008.07.04		2018.5.25	2008.01.06	\$ 0.03215	12,000.00		12,000.00	12,000.00	0.00	0.00	0.00
□□□	55	2008.07.04		2018.5.25	2008.03.17	\$ 0.03215	12,000.00		12,000.00	0.00	4,500.00	0.00	7,500.00
□□□	222	2008.07.04		2018.5.25	2008.03.21	\$ 0.03215	12,000.00		12,000.00	0.00	4,500.00	0.00	7,500.00
□□□	60	2008.07.04		2018.5.25	2008.05.26	\$ 0.03215	12,000.00		12,000.00	0.00	3,750.00	0.00	8,250.00
□□□	75	2008.07.04		2018.5.25	2008.05.26	\$ 0.03215	12,000.00		12,000.00	0.00	3,750.00	0.00	8,250.00

□□□	39	2008.07.04		2018.5.25	2007.10.15	\$ 0.03215	11,000.00		11,000.00	11,000.00	0.00	0.00	0.00
□□□	36	2008.07.04		2018.5.25	2008.05.04	\$ 0.03215	11,000.00		11,000.00	0.00	3,437.50	0.00	7,562.50
□□□	87	2008.07.04		2018.5.25	2007.10.10	\$ 0.03215	10,000.00		10,000.00	10,000.00	0.00	0.00	0.00
□□	237	2008.07.04		2018.5.25	2006.11.06	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
□□	246	2008.07.04		2018.5.25	2006.07.10	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
□□	258	2008.07.04		2018.5.25	2006.09.04	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
□□	259	2008.07.04		2018.5.25	2007.10.08	\$ 0.03215	8,000.00		8,000.00	0.00	4,000.00	0.00	4,000.00
□□	236	2008.07.04		2018.5.25	2007.09.03	\$ 0.03215	8,000.00		8,000.00	4,500.00	0.00	3,500.00	0.00
□□	229	2008.07.04		2018.5.25	2008.02.25	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
□□	230	2008.07.04		2018.5.25	2008.02.29	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
□□□	235	2008.07.04		2018.5.25	2008.04.28	\$ 0.03215	8,000.00		8,000.00	8,000.00	0.00	0.00	0.00
□□□	302	2008.07.04		2018.5.25	2005.07.20	\$ 0.03215	6,000.00		6,000.00	0.00	5,625.00	0.00	375.00
□□	189	2008.07.04		2018.5.25	2000.01.01	\$ 0.03215	6,000.00		6,000.00	0.00	5,625.00	0.00	375.00
□□	190	2008.07.04		2018.5.25	2005.04.25	\$ 0.03215	6,000.00		6,000.00	0.00	5,625.00	0.00	375.00
□□□	183	2008.07.04		2018.5.25	2006.10.08	\$ 0.03215	6,000.00		6,000.00	0.00	4,500.00	0.00	1,500.00
□□□	191	2008.07.04		2018.5.25	2006.10.08	\$ 0.03215	6,000.00		6,000.00	6,000.00	0.00	0.00	0.00
□□□	299	2008.07.04		2018.5.25	2006.12.11	\$ 0.03215	6,000.00		6,000.00	0.00	4,125.00	0.00	1,875.00
□□□	85	2008.07.09		2018.5.25	2006.12.11	\$ 0.03215	6,000.00		6,000.00	2,250.00	0.00	3,750.00	0.00
□□	136	2008.07.04		2018.5.25	2006.03.01	\$ 0.03215	6,000.00		6,000.00	6,000.00	0.00	0.00	0.00
□□	300	2008.07.04		2018.5.25	2006.03.13	\$ 0.03215	6,000.00		6,000.00	0.00	5,250.00	0.00	750.00
□□	310	2008.07.04		2018.5.25	2006.04.03	\$ 0.03215	6,000.00		6,000.00	6,000.00	0.00	0.00	0.00
□□□	175	2008.07.04		2018.5.25	2006.06.01	\$ 0.03215	6,000.00		6,000.00	0.00	4,875.00	0.00	1,125.00
□□	152	2008.07.04		2018.5.25	2006.07.10	\$ 0.03215	6,000.00		6,000.00	2,500.00	0.00	3,500.00	0.00
□□	126	2008.07.09		2018.5.25	2006.09.20	\$ 0.03215	6,000.00		6,000.00	6,000.00	0.00	0.00	0.00
□□	301	2008.07.04		2018.5.25	2006.09.04	\$ 0.03215	6,000.00		6,000.00	0.00	4,500.00	0.00	1,500.00
□□□	116	2008.07.04		2018.5.25	2007.01.29	\$ 0.03215	6,000.00		6,000.00	0.00	4,125.00	0.00	1,875.00
□□□	143	2008.07.04		2018.5.25	2007.10.10	\$ 0.03215	6,000.00		6,000.00	0.00	3,000.00	0.00	3,000.00
□□	157	2008.07.04		2018.5.25	2007.10.23	\$ 0.03215	6,000.00		6,000.00	0.00	3,000.00	0.00	3,000.00
□□□	142	2008.07.04		2018.5.25	2007.10.29	\$ 0.03215	6,000.00		6,000.00	0.00	2,625.00	0.00	3,375.00
□□□	108	2008.07.04		2018.5.25	2007.10.31	\$ 0.03215	6,000.00		6,000.00	0.00	2,625.00	0.00	3,375.00
□□	238	2008.07.04		2018.5.25	2007								



☐☐	342	2009.07.31	2009.09.15	2018.5.25	2009.02.09	\$ 0.03215	1,600,000.00	320,000.00	1,920,000.00	0.00	0.00	0.00	1,920,000.00
☐☐	343	2009.07.31		2018.5.25	2009.02.16	\$ 0.03215	400,000.00		400,000.00	0.00	0.00	0.00	400,000.00
☐☐☐	344	2009.07.31	2009.09.15	2018.5.25	2009.03.06	\$ 0.03215	259,200.00	30,000.00	289,200.00	0.00	0.00	0.00	289,200.00
☐☐☐	345	2009.07.31	2009.09.15	2018.5.25	2009.04.01	\$ 0.03215	94,500.00	20,000.00	114,500.00	0.00	0.00	0.00	114,500.00
☐☐☐	346	2009.07.31		2018.5.25	2009.03.16	\$ 0.03215	3,100,000.00		3,100,000.00	0.00	0.00	0.00	3,100,000.00
☐☐☐	348	2009.07.31	2009.09.15	2018.5.25	2009.05.18	\$ 0.03215	402,500.00	50,000.00	452,500.00	0.00	0.00	0.00	452,500.00
☐☐	349	2009.07.31	2009.09.15	2018.5.25	2009.07.01	\$ 0.03215	402,500.00	50,000.00	452,500.00	0.00	0.00	0.00	452,500.00
☐☐	350	2009.07.31		2018.5.25	2009.07.01	\$ 0.03215	24,000.00		24,000.00	0.00	0.00	0.00	24,000.00
☐☐☐	351	2009.07.31	2009.09.15	2018.5.25	2009.07.10	\$ 0.03215	165,600.00	30,000.00	195,600.00	0.00	0.00	0.00	195,600.00
☐☐☐	352	2009.07.31	2009.09.15	2018.5.25	2009.02.13	\$ 0.03215	32,000.00	4,800.00	36,800.00	0.00	0.00	0.00	36,800.00
☐☐☐	353	2009.07.31		2018.5.25	2009.03.11	\$ 0.03215	32,000.00		32,000.00	0.00	0.00	0.00	32,000.00

☐☐	354	2009.07.31		2018.5.25	2009.03.17	\$ 0.03215	32,000.00	32,000.00	0.00	0.00	0.00	32,000.00			
☐☐	355	2009.07.31		2018.5.25	2009.04.27	\$ 0.03215	14,000.00	14,000.00	0.00	0.00	0.00	14,000.00			
☐☐	356	2009.07.31		2018.5.25	2008.07.24	\$ 0.03215	100,000.00	100,000.00	0.00	31,250.00	0.00	68,750.00			
☐☐	357	2009.07.31	2009.09.15	2018.5.25	2009.03.16	\$ 0.03215	16,000.00	20,000.00	36,000.00	0.00	0.00	0.00	36,000.00		
☐☐	358	2009.07.31		2018.5.25	2009.04.07	\$ 0.03215	14,000.00	14,000.00	0.00	0.00	0.00	14,000.00			
☐☐	359	2009.07.31		2018.5.25	2008.07.09	\$ 0.03215	48,000.00	48,000.00	0.00	15,000.00	0.00	33,000.00			
☐☐	360	2009.07.31		2018.5.25	2009.02.11	\$ 0.03215	32,000.00	32,000.00	0.00	0.00	0.00	32,000.00			
☐☐	361	2009.07.31		2018.5.25	2009.05.08	\$ 0.03215	35,000.00	35,000.00	0.00	0.00	0.00	35,000.00			
☐☐	362	2009.07.31		2018.5.25	2009.05.08	\$ 0.03215	35,000.00	35,000.00	0.00	0.00	0.00	35,000.00			
☐☐	363	2009.07.31		2018.5.25	2009.05.25	\$ 0.03215	35,000.00	35,000.00	0.00	0.00	0.00	35,000.00			
☐☐	364	2009.07.31		2018.5.25	2009.06.08	\$ 0.03215	28,000.00	28,000.00	0.00	0.00	0.00	28,000.00			
☐☐	365	2009.07.31	2009.09.15	2018.5.25	2009.07.25	\$ 0.03215	24,000.00	96,000.00	120,000.00	0.00	0.00	0.00	120,000.00		
☐☐	366	2009.07.31	2009.09.15	2018.5.25	2009.06.22	\$ 0.03215	168,000.00	25,200.00	193,200.00	0.00	0.00	0.00	193,200.00		
☐☐	367	2009.07.31		2018.5.25	2009.04.12	\$ 0.03215	8,400.00	8,400.00	0.00	0.00	0.00	8,400.00			
☐☐	368	2009.07.31	2009.09.15	2018.5.25	2009.07.29	\$ 0.03215	24,000.00	10,000.00	34,000.00	0.00	0.00	0.00	34,000.00		
☐☐	369		2009.09.15	2018.5.25	2009.05.25	\$ 0.03215	14,000.00	14,000.00	0.00	0.00	0.00	14,000.00			
☐☐	370		2009.09.15	2018.5.25	2009.06.08	\$ 0.03215	14,000.00	14,000.00	0.00	0.00	0.00	14,000.00			
☐☐	371		2009.09.15	2018.5.25	2009.07.25	\$ 0.03215	9,600.00	9,600.00	0.00	0.00	0.00	9,600.00			
☐☐	372		2009.09.15	2018.5.25	2009.06.22	\$ 0.03215	8,400.00	8,400.00	0.00	0.00	0.00	8,400.00			
☐☐	373		2009.09.15	2018.5.25	2009.04.12	\$ 0.03215	8,400.00	8,400.00	0.00	0.00	0.00	8,400.00			
							67,000,000.00	1,374,000.00	10,584,900.00	10,029,900.00	88,988,800.00	7,672,463.00	46,820,187.50	2,345,437.00	32,150,712.50

**SCHEDULE 10**

**DOMAIN NAME, GENERAL INTERNET ADDRESS,**

**WIRELESS INTERNET ADDRESS**

**A. Domain Names**

1. phoenixtv.cn
2. phoenixtv.com.cn
3. phoxtv.cn
4. phoxtv.com
5. phoxtv.net
6. phxtv.cn
7. phxtv.com.cn
8. phxtv.net.cn
9. ☐☐☐☐.☐☐
10. ☐☐☐☐.☐☐
11. ☐☐☐☐☐☐.☐☐
12. ☐☐☐☐☐☐.☐☐
13. ☐☐☐☐☐☐☐☐☐☐.☐☐
14. ☐☐☐☐☐☐☐☐☐☐.☐☐

**B. General Internet Address**

1. ☐☐☐☐☐
2. ☐☐☐☐
3. ☐☐☐☐
4. ☐☐☐☐
5. ☐☐☐☐
6. ☐☐☐☐

**C. Wireless Internet Address**

1. ☐☐☐☐
2. ☐☐

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**EXHIBIT A**

**SHAREHOLDERS' AGREEMENT**

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**EXHIBIT B**

**FORM OF CONTROL DOCUMENTS**

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**EXHIBIT C-1**

**FORM OF OFFSHORE LEGAL OPINION**

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**EXHIBIT C-2**

**FORM OF PRC LEGAL OPINION**

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**EXHIBIT D**

**EXCLUSIVE COOPERATION AGREEMENT**

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**EXHIBIT E**

**FORM OF RESTATED ARTICLES**

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**EXHIBIT F-1**

**FORM OF DIRECTOR COMPLIANCE CERTIFICATE**

, 2009

Capitalized terms used herein without definition have the meanings assigned to such terms in that certain Share Purchase Agreement (the “**Share Purchase Agreement**”), dated November 9, 2009, by and among PHOENIX NEW MEDIA LIMITED, an exempted company duly incorporated and validly existing under the Laws of the Cayman Islands (the “**Company**”), the Purchasers listed on Schedule 1 attached thereto, the Persons listed on Schedule 2 attached thereto and certain other parties thereto. Capitalized terms used herein shall have the meaning set forth in the Share Purchase Agreement.

THE UNDERSIGNED, [ ], a director of the Company, hereby certifies on behalf of the Company that:

1. the conditions specified in Section 2 of the Share Purchase Agreement have been fulfilled as of the date hereof;
2. attached hereto are (A) the Amended and Restated Memorandum and Articles of Association, as adopted and approved by the shareholders of the Company by special resolutions dated [ ], 2009, (B) copies of all resolutions approved by the Company’s shareholders and board of directors related to the transactions contemplated by the Agreement, and (C) a good standing certificate with respect to the Company from the applicable authority(ies) in the Cayman Islands; and
3. there has been no Material Adverse Effect (as defined in the Share Purchase Agreement) with respect to any Group Company since the date of the Share Purchase Agreement.

IN WITNESS WHEREOF, the undersigned has set forth his signature on this Compliance Certificate as of the date first set forth above.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: Director

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**EXHIBIT F-2**

**FORM OF EXISTING SHAREHOLDER COMPLIANCE CERTIFICATE**

**, 2009**

Capitalized terms used herein without definition have the meanings assigned to such terms in that certain Share Purchase Agreement (the “**Share Purchase Agreement**”), dated November 9, 2009, by and among PHOENIX NEW MEDIA LIMITED, an exempted company duly incorporated and validly existing under the Laws of the Cayman Islands (the “**Company**”), the Purchasers listed on Schedule 1 attached thereto, the Persons listed on Schedule 2 attached thereto and certain other parties thereto. Capitalized terms used herein shall have the meaning set forth in the Share Purchase Agreement.

THE UNDERSIGNED, the Existing Shareholder as defined in the Share Purchase Agreement, hereby certifies that:

1. the conditions specified in Section 2 of the Share Purchase Agreement have been fulfilled as of the date hereof; and
2. there has been no Material Adverse Effect (as defined in the Share Purchase Agreement) with respect to any Group Company since the date of the Share Purchase Agreement.

IN WITNESS WHEREOF, the undersigned have set forth their signatures on this Compliance Certificate as of the date first set forth above.

By: \_\_\_\_\_

Name: \_\_\_\_\_

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**EXHIBIT G**

**LETTER OF COMMITMENT AND NON-COMPETE**

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**EXHIBIT H**

**FORM OF INDEMNIFICATION AGREEMENT**

**INDEMNIFICATION AGREEMENT** (this “Agreement”) dated as of [ ], 2009, by and among PHOENIX NEW MEDIA LIMITED (the “Company”) and LIU Qin (the “Director”). The Director shall be referred to herein as the “Indemnitee”.

**RECITALS**

- A. The Company and the Indemnitee recognize the continued difficulty in obtaining liability insurance for its directors and officers, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.
- B. The Company and the Indemnitee further recognize the substantial increase in corporate litigation in general, which subjects directors, officers, employees, controlling persons, stockholders, agents and fiduciaries to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited.
- C. The Indemnitee does not regard the current protection available as adequate under the present circumstances, and the Indemnitee and other directors and officers of the Company may not be willing to serve in such capacities without additional protection.
- D. The Company (i) desires to attract and retain highly qualified individuals and entities, such as Director, to serve the Company and, in part, in order to induce Director to be involved with the Company and (ii) wishes to provide for the indemnification and advancing of expenses to each Indemnitee to the maximum extent permitted by law as provided herein.
- E. In view of the considerations set forth above, the Company desires that each Indemnitee be indemnified by the Company as set forth herein.

**NOW, THEREFORE**, the Company and each Indemnitee hereby agree as follows:

1. Indemnification.

(a) Indemnification of Expenses.

(i) Third-Party Claims. Subject to Section 8 below, the Company shall indemnify and hold harmless Director to the fullest extent permitted by law if the Director was or is or becomes a party to or witness, or is threatened to be made a party to or witness, any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that such Director reasonably believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative,

investigative or other (hereinafter a "Claim") (other than an action by right of the Company) by reason of the fact that Director is or was a director or officer of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director or officer of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, or by reason of any action or inaction

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on the part of the Director while serving in such capacity (hereinafter, an "Agent") or as a direct or indirect result of any Claim made by any stockholder of the Company against the Director and arising out of or related to any round of financing of the Company (including but not limited to Claims regarding non-participation, or non-pro rata participation, in such round by such stockholder), or made by a third party against the Director based on any misstatement or omission of a material fact by the Company in violation of any duty of disclosure imposed on the Company by securities or common laws (hereinafter an "Indemnification Event") against any and all expenses (including attorneys' fees and all other costs, expenses and obligations), judgments, fines, penalties and amounts paid in settlement (if, and only if, such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) (the "Expenses") actually and reasonably incurred by Director in connection with investigating, defending or participating in (including on appeal) such Claim if the Director acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

(ii) Derivative Actions. If the Director is a person who was or is a party or is threatened to be made a party to any Claim by or in the right of the Company to procure a judgment in its favor by reason of the fact that he or she is or was an Agent of the Company, or by reason of anything done or not done by him or her in any such capacity, the Company shall indemnify Director against any amounts paid in settlement of any such Claim and all Expenses actually and reasonably incurred by him or her in connection with the investigation, defense, settlement or appeal of such Claim if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company; except that no indemnification under this subsection shall be made in respect of any claim, issue or matter as to which such person shall have been finally adjudged to be liable to the Company by a court of competent jurisdiction due to willful misconduct of a culpable nature in the performance of his duty to the Company, unless and only to the extent that the court in which such proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such amounts which such other court shall deem proper.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party (as described in Section 10(e) hereof) shall not have determined that Indemnitee would not be permitted to be indemnified under applicable law or pursuant to Section 8 hereof, and (ii) each Indemnitee acknowledges and agrees that the obligation of the Company to make an advance payment of Expenses to an Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that such Indemnitee would not be permitted to be so indemnified under applicable law or Section 8 hereof, the Company shall be entitled to be reimbursed by Indemnitee (who each hereby agree to promptly reimburse the Company) for all such amounts theretofore paid; provided, however, that if the Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that such Indemnitee should be indemnified under applicable law or Section 8 hereof, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a

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final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). The Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 10(c) hereof), the Reviewing Party shall be selected by the a majority of the Board of Directors (excluding the Director), and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors (other than the Director) who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1(e) hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law or Section 8 hereof, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and the Indemnitee.

(c) Contribution. If the indemnification provided for in Section 1(a) above for any reason other than the statutory limitations of applicable law or as provided in Section 8, is held by a court of competent jurisdiction to be unavailable to an Indemnitee in respect of any losses, claims, damages, expenses or liabilities in which the Company is jointly liable with such Indemnitee, as the case may be (or would be jointly liable if joined), then the Company, in lieu of indemnifying the Indemnitee thereunder, shall contribute to the amount actually and reasonably incurred and paid or payable by the Indemnitee as a result of such losses, claims, damages, expenses or liabilities in such proportion as is appropriate to reflect (i) the relative benefits received by the Company and the Indemnitee, and (ii) the relative fault of the Company and such Indemnitee in connection with the action or inaction that resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company and the Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such losses, claims, damages, expenses or liabilities.

The Company and the Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 1(c) were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. No person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933, as amended (the "Securities Act")) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

(d) Survival Regardless of Investigation. The indemnification and contribution provided for in this Section 1 will remain in full force and effect regardless of any investigation made by or on behalf of the Indemnitee.

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(e) Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses under this Agreement or any other agreement or under the Company's Certificate of Incorporation, as amended (the "Certificate"), or Bylaws as now or hereafter in effect (the "Bylaws"), Independent Legal Counsel (as defined in Section 10(d) hereof) shall be selected by the Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). The Company agrees to abide by the determination of the Independent Legal Counsel and to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(f) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement, to the extent an Indemnitee has been successful on the merits or otherwise, in the defense of any Claim referred to in Section 1(a) hereof or in the defense of any claim, issue or matter therein, such Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by such Indemnitee in connection herewith.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. Subject to Section 8 and except as prohibited by applicable law, the Company shall advance all Expenses incurred by an Indemnitee in connection with the investigation, defense, settlement or appeal of any Claim to which such Indemnitee is a party or is threatened to be made a party by reason of the fact that the Director is or was an Agent of the Company or by reason of anything done or not done by him or her in any such capacity. The Indemnitee hereby undertakes to promptly repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that such Indemnitee is not entitled to be indemnified by the Company under the provisions of this Agreement, the Certificate, the Bylaws, applicable law or otherwise. The advances to be made hereunder shall be paid by the Company to the Indemnitee as soon as practicable but in any event no later than thirty days after written demand by the Indemnitee therefor to the Company.

(b) Notice/Cooperation by Indemnitee. The Indemnitee shall give the Company notice in writing promptly after receipt of notice of commencement of any Claim, or the threat of the commencement of any Claim, made against such Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other person and/or address as the Company shall designate in writing to the Indemnitee).

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable

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law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee had not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee had not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt written notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in each of the policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company shall be entitled to assume the defense of such Claim, with counsel reasonably approved by the Indemnitee, upon the delivery to such Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the Company, the Company will not be liable to such Indemnitee under this Agreement for any fees of counsel subsequently incurred by such Indemnitee with respect to the same Claim; provided that, (i) the Indemnitee shall have the right to employ such Indemnitee's counsel in any such Claim at the Indemnitee's expense; (ii) the Indemnitee shall have the right to employ its own counsel in connection with any such proceeding, at the expense of the Company, if such counsel serves in a review, observer, advice and counseling capacity and does not otherwise materially control or participate in the defense of such proceeding; and (iii) if (A) the employment of counsel by the Indemnitee has been previously authorized by the Company, (B) such Indemnitee shall have reasonably concluded that there is a conflict of interest between the Company and such Indemnitee in the conduct of any such defense, or (C) the Company shall not in fact continue to retain such counsel to defend such Claim, then the fees and expenses of the Indemnitee's counsel shall be at the expense of the Company.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify the Director to the fullest extent permitted by law (except as provided in Section 8) with respect to Claims for Indemnification Events, even if such indemnification is not specifically authorized by the other provisions of this Agreement or any other agreement, the Memorandum and Articles of Association of the Company, or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Cayman Islands company to indemnify a member of its Board of Directors or an officer, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by

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such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Cayman Islands company to indemnify a member of its Board of Directors or an officer, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8 hereof.

(b) Nonexclusivity. Notwithstanding anything in this Agreement, the indemnification provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Memorandum and Articles of Association of the Company, any agreement, any vote of stockholders or disinterested directors, the laws of the Cayman Islands, or otherwise. Notwithstanding anything in this Agreement, the indemnification provided under this Agreement shall continue as to each Indemnitee for any action the Director took or did not take while serving in an indemnified capacity even though such Director may have ceased to serve in such capacity and such indemnification shall inure to the benefit of each Indemnitee from and after Director's first day of service as a director with the Company or affiliation with a director from and after the date Director commences services as a director with the Company.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against the Indemnitee to the extent such Indemnitee has otherwise actually received payment (under any insurance policy, Certificate, Bylaws or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for any portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which such Indemnitee is entitled.

6. Mutual Acknowledgement. The Company and each Indemnitee acknowledge that in certain instances, applicable law or public policy may prohibit the Company from indemnifying its directors, officers, employees, controlling persons, agents or fiduciaries under this Agreement or otherwise.

7. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, the Company shall use commercially reasonable efforts to provide that Director shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if such Indemnitee is a director.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Claims Under Section 16(b). To indemnify either Indemnitee for expenses and the payment of profits or an accounting thereof arising from the purchase and sale by such Indemnitee of securities in violation of the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any similar provisions of any international, federal, state or local statutory law;

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(b) Unauthorized Settlements. To indemnify the Indemnitee hereunder for any amounts paid in settlement of a proceeding unless the Company consents in advance in writing to such settlement, which consent shall not be unreasonably withheld;

(c) Unlawful Indemnification. To indemnify an Indemnitee if a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful pursuant to the laws of the Cayman Islands, the Memorandum and Articles of Association of the Company, or any similar provisions of any international, federal, state or local statutory law applicable to the Company. In this respect, the Company and the Indemnitee have been advised that the Securities and Exchange Commission takes the position that indemnification for liabilities arising under securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication;

(d) Fraud. To indemnify an Indemnitee if a final decision by a court having jurisdiction in the matter shall determine that the Indemnitee has committed fraud on the Company; or

(e) Insurance. To indemnify the Indemnitee for which payment is actually and fully made to Indemnitee under a valid and collectible insurance policy; or

(f) Company Contracts. To indemnify an Indemnitee with respect to any Claim related to any dispute or breach arising under any contract or similar obligation between the Company and such Indemnitee.

9. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against the Director, the Director's estate, spouse, heirs, executors or personal or legal representatives after the expiration of five (5) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such five (5) year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors and officers, so that if the Director is or was or may be deemed a director or officer of such constituent corporation, or is or was or may be deemed to be serving at the request of such constituent corporation as a director or officer of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, each Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as the Director would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on

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the Director with respect to an employee benefit plan; and references to “serving at the request of the Company” shall include any service as a director or officer of the Company which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or its beneficiaries; and if the Director acted in good faith and in a manner Director reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, the Director shall be deemed to have acted in a manner “not opposed to the best interests of the Company” as referred to in this Agreement.

(c) For purposes of this Agreement a “Change in Control” shall be deemed to have occurred if (i) any “person” (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 30% of the total voting power represented by the Company’s then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company’s stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least two-thirds (2/3) of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company’s assets; provided that in no event shall a Change in Control be deemed to include (i) a merger, consolidation or reorganization of the Company for the purpose of changing the Company’s state of incorporation and in which there is no substantial change in the shareholders of the Company or its successor (as the case may be), or (ii) the Company’s first firm commitment underwritten public offering of any of its securities to the general public pursuant to (i) a registration statement filed under the Securities Act, or (ii) the securities laws applicable to an offering of securities in another jurisdiction pursuant to which such securities will be listed on an internationally recognized securities exchange (the “IPO”).

(d) For purposes of this Agreement, “Independent Legal Counsel” shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1(e) hereof, who shall not have otherwise performed services for the Company or the Indemnitee within the last two (2) (other than with respect to matters concerning the right of the Indemnitee under this Agreement).

(e) For purposes of this Agreement, a “Reviewing Party” shall mean any appropriate person or body consisting of a member or members of the Company’s Board of

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Directors (other than the Director) or any other person or body appointed by the Board of Directors who is not a named party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(f) For purposes of this Agreement, “Voting Securities” shall mean any securities of the Company that vote generally in the election of directors.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance reasonably satisfactory to each Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect with respect to Claims relating to Indemnifiable Events regardless of whether the Indemnitee continues to serve as a director or officer of the Company or of any other enterprise, including subsidiaries of the Company, at the Company’s request.

13. Attorneys’ Fees. Subject to Section 8 and except as prohibited by applicable law, in the event that any action is instituted by an Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, such Indemnitee shall be entitled to be paid all Expenses actually and reasonably incurred by such Indemnitee with respect to such action if such Indemnitee is ultimately successful in such action. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, the Indemnitee shall be entitled to be paid Expenses actually and reasonably incurred by such Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee counterclaims and cross-claims made in such action), and shall be entitled to the advancement of Expenses with respect to such action, in each case only to the extent that such Indemnitee is ultimately successful in such action.

14. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one day after the business day of delivery by facsimile transmission, if deliverable by facsimile transmission, with copy by first class mail, postage prepaid, and shall be addressed if to Indemnitee, at the Director’s address as set forth beneath their signatures to this Agreement and if to the Company at the address of its principal corporate offices (attention:

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Chief Executive Officer), or at such other address as such party may designate by ten (10) days’ advance written notice to the other party hereto.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

16. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of Hong Kong (except to the extent that the Companies Law of the Cayman Islands and related common law are applicable as a matter of corporate law as opposed to contract law), entered into and to be performed entirely within Hong Kong without regard to the conflict of laws principles thereof.

17. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

18. Amendment and Termination. Except as provided in Section 21, no amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by the parties to be bound thereby. Notice of same shall be provided to all parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

19. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving the Indemnitee any right to be retained in the employ or service of the Company or any of its subsidiaries.

20. Corporate Authority. The Board of Directors of the Company and its stockholders in accordance with Cayman Islands law have approved the terms of this Agreement.

21. Termination of Agreement. This Agreement shall terminate and be of no further force or effect upon the closing of the IPO, provided that each Indemnitee will be entitled to all of the benefits and rights accorded such party under this Agreement with respect to any Claims for any Indemnification Events arising or related to events, circumstances and actions or omissions which have occurred or alleged and to have occurred prior to the closing of the IPO.

*[The remainder of this page is intentionally left blank.]*

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IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement on and as of the day and year first above written.

COMPANY:

PHOENIX NEW MEDIA LIMITED

By: \_\_\_\_\_

Name:

Title: Director

DIRECTOR:

As Individual:

\_\_\_\_\_  
Name: LIU Qin

Address:

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**EXHIBIT I**

**FORM OF MANAGEMENT RIGHTS LETTER**

[ ], 2009

**Re: Management Rights**

Gentlemen:

This letter will confirm our agreement that pursuant to and effective as of your purchase of \_\_\_\_\_ shares of Series A Preferred Shares of PHOENIX NEW MEDIA LIMITED (the "Company"), [ ] (the "Investor") shall be entitled to the following contractual management rights, in addition to any rights to non-public financial information, inspection rights and other rights specifically provided to all investors in the current financing:

1. The Company shall provide to you at your written request, within 30 days of the end of each calendar year, a list of all holders of equity interests and rights to acquire equity interests in the Company as of the end of such year, and the type and amount of such securities held by each such holder.

2. The Investor shall be entitled to consult with and advise management of the Company on significant business issues, including management's proposed annual operating plans, and management will meet with you regularly during each year at the Company's facilities at mutually agreeable times for such consultation and advice and to review progress in achieving said plans.

3. The Investor may examine the books and records of the Company and inspect its facilities and may request information at reasonable times and intervals upon prior notice in writing concerning the general status of the Company's financial condition and operations, provided that access to highly confidential proprietary information and facilities need not be provided, and the Company shall not be obligated to disclose any information, the disclosure of which it believes in good faith would be detrimental to the Company or its shareholders, and the Company may require an addition non-disclosure agreement as it determines appropriate.

4. If the Investor is not represented on the Company's Board of Directors, the Company shall give a representative of the Investor copies of all notices, minutes, consents and other material that the Company provides to its directors, except that the representative may be excluded from access to any material or meeting or portion thereof if the Company believes, upon advice of counsel, that such exclusion is reasonably necessary to preserve the attorney-client privilege, to protect highly confidential proprietary information, in compliance with the

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applicable stock exchange regulations or for other similar reasons. Upon reasonable notice and at a scheduled meeting of the Board or such other time, if any, as the Board may determine in its sole discretion, such representative may address the Board of Directors with respect to the Investor's concerns regarding significant business issues facing the Company.

The Investor agrees, for itself and as agent for each representative of the Investor, to hold in confidence and trust and not disclose or use any confidential information provided to or learned by it in connection with its rights under this letter.

The rights described herein shall terminate and be of no further force or effect upon (a) the consummation of the sale of the Company's securities pursuant to a registration statement filed by the Company under the Securities Act of 1933, as amended, in connection with a firm-commitment underwritten offering of its securities to the public or (b) the consummation of a merger or consolidation of the Company that is effected (i) for independent business reasons unrelated to extinguishing such rights and (ii) for purposes other than (A) the reincorporation of the Company in a different state or (B) the formation of a holding company that will be owned exclusively by the Company's stockholders and will hold all of the outstanding shares of capital stock of the Company's successor. The confidentiality provisions hereof will survive any such termination.

*[Signature pages to follow]*

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Very truly yours,

**PHOENIX NEW MEDIA LIMITED**

By: \_\_\_\_\_

Title: \_\_\_\_\_

AGREED AND ACCEPTED:

[ ]

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**Exhibit J**

**Form of New Employment Agreement**



No.

**Labor Contract**

Party A : Fenghuang On-line (Beijing) Information Technology Co., Ltd.

Party B :

Execution Date:

Party A: **Fenghuang On-line (Beijing) Information Technology Co., Ltd.**

Legal Representative or Authorized Representative: Liu, Shuang

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Registered Address: **No. 605 Fenghuang Guild Hall, No. 165 Haidian Road, Haidian District, Beijing, PRC,**

Party B: \_\_\_\_\_ Gender: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Type of Household Register: (non-agricultural/agricultural)

Identity Card No: \_\_\_\_\_

OR Name of Other Valid Certificate: \_\_\_\_\_ No. of the Certificate: \_\_\_\_\_

Start Date for Work in the Company: \_\_\_\_\_

Household Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Residence Address in Beijing: \_\_\_\_\_ Zip: \_\_\_\_\_

Contact Number of Party B: \_\_\_\_\_ (Mobile Phone) \_\_\_\_\_ (Tel.)

Place of Registered Permanent Residence: \_\_\_\_\_

Emergency Contact Person: \_\_\_\_\_ (Name) \_\_\_\_\_ (Relationship with Party B)

Emergency Contact Number: \_\_\_\_\_ (Mobile Phone) \_\_\_\_\_ (Telephone)

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### Relevant Notices for Execution of Labor Contract

1. This Contract is entered into between the Company and the employee, the terms and conditions of which shall be read carefully by the employee before signing.
2. When entering into this Contract, any terms requiring a mutual agreement between the Company and the employee shall be filled in the corresponding blanks in this Contract when the parties reach a consensus.
3. Any additional terms agreed by both parties shall be expressly stated in Article 59 of this Contract.
4. Any change or amendment to this Contract shall be made according to the agreement of both parties.
5. If the space provided is insufficient, the matters, such as any other term agreed by both parties and any change to this Contract may be written down on separate page(s) attached hereto.
6. This Contract shall become effective upon the execution by both parties.
7. This Contract shall be signed by Party B himself/herself, and be signed by the legal representative or authorized representative of Party A and chopped with Party A's seal.
8. This Contract shall be filled in carefully in clear handwriting and in simple and accurate characters and may not be changed deliberately.
9. This Contract shall be executed in duplicate, one for each. Party A shall not retain Party B's copy.

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### Labor Contract

In accordance with the Law of Labor Contract of the PRC and relevant labor laws, regulations and administrative rules, as well as the bylaws made by the Company, and on the principle of free will, equality, negotiation and consensus, Party A and Party B agree to enter into this labor contract (**this "Contract"**) in respect of the establishment of the labor relations and relevant rights and obligations, and to abide by terms and conditions of this Contract and acknowledge this Contract as the basis for any dispute resolution.

Party B undertakes that there he/she has no other labor relation with any other labor unit when entering into this Contract and the execution of this Contract will not conflict with any non-competition or other obligations of Party B to any third party. Otherwise, Party A has the right to rescind this Contract

from time to time without any responsibility for any compensation, while Party B shall compensate any losses arising therefrom suffered by the third party.

### Chapter 1 Contract Term

**Article 1** This Contract is a labor contract with a fixed term.

The term of this Contract is from \_\_\_\_\_ to \_\_\_\_\_, in which the probation term is from \_\_\_\_\_ to \_\_\_\_\_.

**Article 2** During the term of this Contract, in case both parties enter into any other particular agreement regarding the service period of Party B and the agreed service period is longer than the term of this Contract, the term of this Contract shall be automatically extended till the completion of the performance of such particular agreement.

**Article 3** Unless any party notifies in writing to another party at least 30 days before the expiration of the term of this Contract, the term of this Contract will be automatically extended for an additional three months.

### Chapter 2 Work Content

**Article 4** Party B agrees to work at \_\_\_\_\_ position (type of work) in \_\_\_\_\_ Department, pursuant to the requirement by Party A.

**Article 5** According to the features of the position (type of work) in Party A's business, the working area or location of Party B is \_\_\_\_\_.

**Article 6** Due to any actual working requirement, adjustments to the position and remuneration of Party B, according to the specialty, working skills, working ability and \_\_\_\_\_.

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performance of Party B, shall be agreed upon in principle of negotiation between the two parties except for the following circumstances:

(1) Management and operational requirements resulting in the adjustment of business directions and structures such that the working procedures and organizational arrangements shall be changed, causing Party A to need to rearrange the position of Party B.

(2) Management and operational requirements the result of which Party A makes a temporary arrangement in the position of Party B.

(3) Party B being unable to meet the timeline targets, working quality or output due to certain factors such as knowledge, experience, skills, health conditions, so that he/she is not competent for the position,

**Article 7** Party B shall meet the skill requirements for the position he/she takes, complete the work and reach the quality standards of Party A.

### Chapter 3 Working Hours and Rest and Vacations

**Article 8** According to requirements of the characteristics of the position, the position of Party B shall apply the \_\_\_\_\_ working hour system. The calculation methods of each working hour system are subject to the relevant regulations in Beijing.

If comprehensive calculation working hour system or flexible working hour system applies to Party B, the administrative permit for such special working hour system shall be obtained in advance from labor protection department.

**Article 9** After obtaining Party B's consent, Party A may appropriately extend the working hours of Party B, or arrange Party B to work overtime on off days or statutory holidays due to working requirements. Party A undertakes to limit the overtime hours and times within the scope set forth in the State labor regulations, and pay relevant overtime pay or arrange deferred rest (different rules will be set out for flexible working hour system).

No work may be deemed as overtime work unless application for such overtime work has been submitted and the relevant approval has been obtained in advance.

The human resource department of Party A will verify the overtime hours of Party B at the end of each month, and return the original copy of Application Form for Overtime Work to Party B, so that Party B may check the payment of the overtime pay and the arrangement of the deferred rest.

**Article 10** Party B may enjoy paid leave upon certain specific conditions, the detailed information of which has been set forth in Vacation Regulation.

### Chapter 4 Labor Protection, Working Condition and Occupational Hazards Protection

**Article 11** Due to the requirements of the business, Party A may arrange the business trips for Party B. The destinations of business trips include: Mainland China, Asia Pacific and other \_\_\_\_\_.

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places around the world. During the business trips, Party A will provide relevant treatments and insurance conditions for Party B. The administration of business trips will be carried out in accordance with the relevant regulations of the Company.

**Article 12** Due to the requirements of the position, Party A shall equip Party B with essential labor protection measures and provide necessary labor protection equipments in accordance with relevant State regulations on occupational safety and health.

**Article 13** Party A shall establish a work safety system pursuant to relevant laws and regulations and Party B shall strictly abide by the labor safety system of Party A, not work contrary to the established rules, prevent accidents in the process of work, and lessen occupational hazards.

**Article 14** Party A shall establish and perfect the responsibility system for, strengthen the managements of, and improve the level of, prevention and treatment of the occupational diseases.

**Article 15** Before signing of this Contract, Party B shall truthfully provide Party A with the certificates certifying that his/her health condition fits for the position provided by Party A.

## **Chapter 5 Remuneration**

**Article 16** According to the position, working experience and working achievements of Party B and as agreed by both parties: the base pay of Party B for each month is RMB and the performance related pay for each month is RMB (during the probation term, the base pay for each month is RMB and the performance related pay for each month is RMB ). Party A shall pay Party B the remuneration in cash before the first day of each month.

**Article 17** Party A will appraise and adjust the position of Party B every year according to the performance and achievements of Party B. Generally, such appraisal will be conducted at the end of each year. For special cases, the time of appraisal will be determined by the board of directors of Party A.

**Article 18** Party A has the right to adjust the remuneration of Party B according to the operation conditions, adjustments of the position of Party B and legally formulated remuneration allocation system.

**Article 19** If Party B remains idle due to the insufficiency of task, Party A shall pay Party B a monthly living expenses according to the relevant regulations of the State and Beijing.

**Article 20** If Party B resigns before the end of the calendar year, he/she shall not be paid the annual bonus.

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## **Chapter 6 Insurance Welfare and Other Insurance Welfare Treatments**

**Article 21** Party A and Party B shall participate in social insurance in accordance with relevant regulations of the State and Beijing. Party A shall go through the relevant formalities of social insurance for Party B, and undertake relevant social insurance obligations. If Party B fails to provide necessary materials as required by Party A for payment of social insurance premium, thus rendering Party A unable to go through the formalities for payment of social insurance premium and needing to make a supplementary payment according to the rules of local social insurance authority, Party B shall bear any loss suffered by himself/herself.

**Article 22** Party A shall pay the housing fund for Party B from the next month after the probation term expires.

**Article 23** Part of the social insurance premium and housing fund to be borne by Party B individually shall be withheld and paid by Party A when paying Party B's salary.

**Article 24** If Party B is sick or injured not due to work and required to suspend the work for medical treatment, Party A shall provide Party B with medical treatment period in accordance with the regulations of the State. The remuneration and the medical welfare for Party B during medical treatment period shall be implemented according to relevant regulations of the State and Beijing as well as the Regulations on Management of Attendance of the Company.

**Article 25** In case of any occupational diseases or work-related injury, the treatment for Party B shall be implemented in accordance with relevant regulations of the State and Beijing.

**Article 26** Party A will provide free lunch to Party B in work days. The standard of free lunch will be carried out according to relevant rules of the Company.

## **Chapter 7 Labor Rules**

**Article 27** Party A may legally establish bylaws and labor rules. When Party B violates labor rules and bylaws, Party A is entitled to give disciplinary sanctions or penalties to Party B, or may even rescind this Contract according to the bylaws of the Company.

**Article 28** Party B shall abide by the labor rules and bylaws, regulations relating to labor health, working procedures, operation rules and working standards, take care of the properties of Party A, comply with the professional ethics, and take active part in the training organized by Party A to improve his/her various abilities.

**Article 29** Without the approval from Party A, Party B may not give, lend or sell the properties of Party A to others, nor use the working articles or appliances for private affairs. In the course of work, Party B shall strictly comply with relevant regulations with no extravagance and waste.

**Article 30** Party B undertakes that, without the written approval from Party A or any of its subsidiaries, he/she will not, during the contract term, provide any service in any form

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(including part time work, agency, consultations, etc.) to any other individual, company, organization or institution, or engage in, for himself/herself or any third party, any matter which is relevant to or has the same or similar features with the work he/she does for Party A, whether for free or with payments.

**Article 31** Party B shall voluntarily obey the working assignments, supervisions and managements by Party A, and is obligated to make truthful and reasonable explanations for his/her working behavior to Party A.

**Article 32** Party B undertakes to keep confidential the business secrets of Party A, including (but not limited to) the organizational structure, personnel, business, technology, client relations and economic conditions, etc. Without the permission of Party A, Party B shall not sell (or indirectly sell) the business secrets of Party A for profits, or provide such secrets to any third party for free, otherwise Party B shall assume relevant legal responsibilities and compensate for all the damages. Party A has the right to give labor rules to Party B, even rescind this Contract. The detailed confidentiality obligations shall be subject to the Confidentiality Agreement executed by both parties.

**Article 33** Party A has the right to require Party B to sign the Confidentiality Agreement according to the requirements of managements and operations.

**Article 34** Party B undertakes, when the interests of individuals, lineal relatives or friends are directly or indirectly related to the business of the Company he/she takes charge of, he/she shall instantly inform Party A of such relations and withdraw on his/her own initiative.

**Article 35** When performing work or doing business with others, Party B shall comply with all the State policies and regulations. In case of any violation of laws and regulations by Party B, Party A would not assume any legal responsibilities and is entitled to impose punishment on Party B, even terminate this Contract. In case of any losses suffered by Party A resulting from Party B's violation of laws and regulations, Party A may require Party B to compensate such losses.

**Article 36** During the work for Party A, Party B must maintain the internal working atmosphere and environment of the Company, and shall not discriminate against others or interrupt the normal work of others. When interrupted or discriminated by others during work, Party B has the right to report to the managers of Party A and require the Company to impose any necessary punishment on such actions.

### **Chapter 8 Changes of Labor Contract**

**Article 37** In case of any change of the laws, regulations and rules which are the basis of this Contract, the relevant provisions in this Contract shall be changed accordingly.

**Article 38** This Contract can be changed in writing upon the mutual agreement of the parties.

**Article 39** When any party requires any change of this Contract, that party shall notify the

other party in writing, and such other party shall give the written response within 15 days (the 15<sup>th</sup> day inclusive); if no response is given, it would be deemed that such other party disagrees on such proposed change.

### **Chapter 9 Rescission and Termination of Labor contract**

**Article 40** This Contract may be rescinded upon the unanimous agreement by both parties.

**Article 41** Where it is proved that Party B cannot fill the employment conditions during the probation term, Party A may rescind this Contract by giving 3-day advance notice.

**Article 42** When notifying Party A in writing 30 days in advance, or 3 days in advance during probation term, Party B may rescind this Contract; and Party A shall handle relevant procedures. After Party B completes the hand-over procedures required by Party A and Party A signs the confirmation, this Contract shall be rescinded immediately, unless the economic losses to Party A have not been completely settled, or Party B is still in the process of investigating any other matter.

**Article 43** If the position of Party B is deemed to be related to business or technology secrets, Party A has the right to allocate Party B to another position 1 month before the rescission of this Contract or Party B's notice of the rescission of this Contract.

**Article 44** Party B may rescind this Contract if Party A is under any of the following circumstances:

- (1) where Party A fails to provide labor protection or working conditions as agreed in this Contract;
- (2) where Party A fails to pay remuneration in full and in time;
- (3) where Party A fails to pay social insurance premium for Party B in accordance with relevant laws;
- (4) where Party A's articles and bylaws contravene the laws and regulations, thereby causing damage to Party B's interests;
- (5) where Party A uses deception or threats or takes advantage of Party B and causes Party B to compile or change this Contract against the will of Party B resulting in the nullification of this Contract; or
- (6) other circumstances stipulated by relevant laws and regulations under which Party B may rescind this Contract.

**Article 45** Party A may rescind this Contract if Party B is under any of the following circumstances:

- (1) The personal materials of Party B provided to Party A during the recruitment are false, including but not limited to: certificate of leave, certificate of identification, certificate of household register, certificate of diploma, certificate of physical examination, etc. being false or counterfeit; Party B having had a mental disorder, infectious diseases or other diseases which materially affect the performance in work before participating in the

recruitment but did not notify Party A; Party B having recorded a demerit, kept in factory but placed under surveillance, fired, expelled and other such material punishments, or having had had misdeed like drug abuse before the recruitment and did not notify Party A; Party B used to be sentenced to rehabilitation through labor or criminal detention or be investigated for the criminal liabilities according to relevant laws and did not notify Party A during the recruitment, etc.;

- (2) Where Party B materially violates the regulations and rules of Party A, and the situation of rescission of this Contract happened.
- (3) where Party B causes material losses and damage to Party A by gross dereliction of duty or engagement in malpractice for selfish ends;
- (4) in violation of the Article 30 of this Contract, where Party B establishes labor relations with other employers at the same time, resulting in material impact on completion of the tasks of Party A, or refusing to rectify after being informed by Party A;
- (5) where Party B is held liable at criminal law.

**Article 46** Party A may, by giving a 30 days written notice to Party B in advance or paying extra wages of one month in lieu of notice to Party B, rescind this Contract under any of the following circumstances:

- (1) where Party B is unable to engage in his/her original work or any new work otherwise arranged by Party A after the completion of the stipulated period of medical treatment for sick or non work-related injuries;
- (2) where Party B is not competent for his/her work and remains incompetent after being trained or assigned to another job; or
- (3) no agreement on the changes of this contract can be reached between the parties according to the Article 37 of this Contract.

**Article 47** Under any of the following circumstances, where it is necessary to reduce the workforce by more than 20 persons or by less than 20 persons but more than 10% of all staff members of the enterprise, Party A may reduce the workforce after having provided explanation to the trade union or all staff members 30 days in advance for opinions thereof, and after having submitted the reduction plan to the labor administration department:

- (1) where Party A undergoes restructuring in accordance with the provisions of the Enterprise Bankruptcy Law;
- (2) where Party A is experiencing serious difficulties in production or business operations;
- (3) where party A changes the line of production, introduces significant technology innovation or adjusts the operation mode and still has to reduce the workforce after having changed this Contract; or
- (4) where this Contract is unable to be performed due to other material changes of the objective economic situation upon which this Contract is concluded.

**Article 48** Party A may not rescind this Contract on the basis of the provisions stipulated in

Article 46 and Article 47 herein under any of the following circumstances:

- (1) where Party B that engages in hazardous operations with exposure to occupational diseases has not been examined for occupational health before leaving the position or where Party B is suspected of suffering from occupational diseases and is being diagnosed or under medical observation;
- (2) where Party B has developed occupational diseases during his/her service with Party A or is injured due to work and is confirmed to have lost or partially lost the working capability;
- (3) where Party B is within the medical treatment period for illness or non work-related injuries;
- (4) where a female employee is within her pregnant, puerperal or breast-feeding period;
- (5) where Party B has been working for Party A for more than 15 consecutive years and is within 5 years from the statutory retirement age; or
- (6) other circumstances stipulated by laws and administrative regulations.

**Article 49** This Contract shall be automatically terminated under any of the following circumstances:

- (1) where the term of this Contract expires;
- (2) where Party B starts to receive basic pension benefits in accordance with relevant laws;
- (3) where Party B is dead or is declared as dead or missing by the People's Court;
- (4) where Party A is declared bankrupt in accordance with relevant laws;



- (5) where Party A has its business license revoked or is ordered to be closed or dissolved, or where Party A decides to dissolve in advance;
- (6) although still having the situation and possibility to perform this Contract, but Party B is temporarily unable to perform, include but not limited to the crime or violation suspected of, limitations of freedom by public security organ, State security organ or judicial organ, or failure of performing this Contract within 15 days; or
- (7) other circumstances stipulated by laws and administrative regulations

**Article 50** Where this Contract expires under any of the circumstances stipulated in Article 48 herein, it shall be extended until the corresponding circumstance ceases to exist. Notwithstanding the foregoing, the termination of this Contract of Party B who has lost, or partially lost, working capability as stipulated in Item (2) of Article 48 herein shall be subject to the provisions of the State on work-related injury insurance.

**Article 51** Within 30 days before the expiration of this Contract, where Party A notifies Party B of the intention of termination or renewal of this Contract in writing, Party B shall give Party A the written response within 15 days (the 15<sup>th</sup> day inclusive), if no response is given, it would be deemed that Party B disagrees on the renewal.

### **Chapter 11 Post-Contract Obligation**

**Article 52** When this Contract is rescinded or terminated, Party B shall perform the

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following obligations:

- (1) Hand over all the work to the appointed person according to the requirements of Party A;
- (2) Return all the tangible or intangible assets like business articles, documents, equipment he/she occupies in good condition;
- (3) Hand over all carriers of material information to Party A;
- (4) Assist Party A to clean up the creditor's rights and indebtedness between two parties;
- (5) Complete all the leaving procedure required by Party A, and process such procedure;
- (6) Others: handle other matters that shall be handled.

**Article 53** Upon the rescission or termination of this Contract and the performance of the obligations stipulated in Article 52 herein by Party B, Party A shall perform the following obligations:

- (1) Handle relevant procedures on the termination of employment relations for Party B;
- (2) Handle relevant procedures on the transfer or sealing up procedures of social insurance and housing funds within 15 days from the termination of the employment relations;
- (3) Issue the certificate of demission for Party B.

**Article 54** If Party B's whereabouts is unknown or he/she leaves without a word, or fail to perform the obligations stipulated in Item (2) of Article 50, making Party A unable to process, or delay, the leaving procedure, Party B herein irrevocably acknowledges that he/she is the party with fault and would take all the responsibilities.

### **Chapter 12 Economic Compensation**

**Article 55** Party A shall pay economic compensation to Party B in case of any of the following circumstances:

- (1) where Party B rescinds this Contract in accordance with the provisions stipulated in Article 44 herein;
- (2) where Party A proposes to Party B to rescind this Contract in accordance with the provisions stipulated in Article 48 herein and this Contract is rescinded on consensus between the two parties after consultation;
- (3) where Party A rescinds this Contract in accordance with the provisions stipulated in Article 46 herein;
- (4) where Party A rescinds this Contract in accordance with the provisions stipulated in Item (1) of Article 47 herein;
- (5) where a fixed-term labor contract is terminated in accordance with the provisions stipulated in Item (1) of Article 49 herein, except where Party B does not agree to renew

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the contract though Party A maintains or raises the agreed conditions specified in this Contract;

- (6) where this Contract is terminated in accordance with the provisions stipulated in Items (4) and (5) of Article 49 herein; or
- (7) other circumstances stipulated by relevant laws and administrative regulations.

**Article 56** The economic compensation shall be calculated on the basis of number of years he/she has worked for Party A. One month's wage shall be paid to Party B for each full year service. Where the service period is more than six months but less than one year, it shall be counted as one year; where the service period is less than six months, the payable economic compensation to Party B shall be half of his/her monthly wage.

Where the monthly wage of Party B is more than three times of the average wage of employees in the previous year published by the people's government of the municipality directly under the Central Government or the city with districts at the domicile of Party A, the economic compensation payable to Party B shall be three times of the average monthly wage of the employees in the said municipality or city and the maximum term of years for economic compensation payable shall not be more than twelve years.

For the purpose of this Contract, "monthly wage" shall refer to the average monthly wage of the last twelve months of Party B prior to the rescission or termination of this Contract.

**Article 57** Where this Contract is rescinded due to Party B's breach of this Contract, in case Party B has participated in the training sponsored by Party A, and the relevant service period as stipulated in Training Agreement has not expired, Party B shall compensate the training expense and other economic losses suffered by Party A according to the compensation standard stipulated in the Training Agreement.

**Article 58** Where Party B owes any money to Party A, or the rescission of this Contract by Party B constitutes a breach of this Contract, resulting in any economic losses suffered by Party A, and Party B shall assume the compensation liability in accordance with laws and regulations and this Contract, Party A is entitled to deducting such money or losses from the amount payable to Party B, including but not limited to, wages, bonus, subsidiaries or allowance, etc., but such deductions shall not be in violation of relevant laws and regulations. In case such deduction is insufficient, Party A still has the right to recover the remaining part from Party B.

### **Chapter 13 Other Agreements between Parties**

#### **Article 59 Non-Competition**

(1) If the position of Party B is deemed as confidential or important by Party A, both parties shall enter into a separate Non-Competition Agreement. Any rights and obligations of both parties relating to non-competition shall be subject to the Non-Competition Agreement.

(2) During the term of this Contract or after the rescission or termination of this Contract, Party B shall not individually or together with any other individual, enterprise,

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company or organization, induce or cause any client or supplier of Party A or any of its affiliates to terminate or materially reduce the business transactions with Party A or any of its affiliates.

(3) During the term of this Contract or after the rescission or termination of this Contract, Party B shall not interfere in the contract relation or employment relation between Party A or any of its affiliates and any client, supplier, employee or consultant in any inappropriate form.

**Article 60** Party A and Party B agree to add the following to this Contract:

### **Chapter 14 Labor Disputes Resolution and Others**

**Article 61** If any disputes arise in the course of performance of this Contract, application for mediation may be made to Party A's Labor Disputes Mediation Organization; if mediation fails, the dispute may be submitted to the labor disputes arbitration committee for arbitration.

Direct application may be made to the labor disputes arbitration committee for arbitration by either party.

**Article 62** The Employment Handbook, Training Agreement, Confidentiality Agreement, Examination System and other relevant management bylaws of Party A are the supplements of this Contract and shall have the same legal effect as this Contract.

**Article 63** Any matter, not mentioned herein or conflicting with relevant regulations of the State or Beijing, shall be implemented in accordance with relevant regulations.

**Article 64** Any labor contract entered between both parties before the effectiveness of this Contract shall be void automatically from the execution date of this Contract. If any provision of any other previous agreement between the parties conflicts with any provision of this Contract, the relevant provision in this Contract shall prevail.

**Article 65** Party B agrees to authorize the "Emergency Contact Person" stated at the beginning of this Contract as the fiduciary of Party B, in the circumstance that he/she is unable to be contacted (including but not limited to that Party B is in hospital or loses freedom, etc.). Such fiduciary has the right to accept reconciliations and mediations, sign and accept relevant documents.

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**Article 66** The correspondence address of Party B stated at the beginning of this Contract is the only fixed correspondence address for both parties. In case of any dispute or even arbitration during the performance of this Contract, such address shall be the legal address of Party B. In case of any change of such address, Party B shall immediately notify Party A in writing of such change, otherwise, Party B shall be liable for any failure of contacts.

**Article 67** This Contract shall be executed in duplicate, one for each, and becomes effective upon execution (or affixing seal) by both parties.

**Article 68** This Contract is written in English and Chinese. The two language versions shall have equal validity and legal effect, provided that in case of any conflict or discrepancy between the versions, the Chinese version shall prevail.

Party A (seal)

Party B (signature or seal)

Legal Representative  
OR Authorized Representative

Date:

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### Renewal of Labor contract

This renewal is for the Labor Contract executed by both parties dated \_\_\_\_\_ with the No. of \_\_\_\_\_.

The type of the duration of this renewed Labor Contract is \_\_\_\_\_ contract, the effective date is \_\_\_\_\_, and the termination date is \_\_\_\_\_.

Party A (seal)

Party B (signature or seal)

Legal Representative  
OR Authorized Representative (signature or seal)

Date: \_\_\_\_\_

This renewal is for the Labor Contract executed by both parties dated \_\_\_\_\_ with the No. of \_\_\_\_\_.

The type of the duration of the renewed Labor Contract is \_\_\_\_\_ contract, the effective date is \_\_\_\_\_, and the termination date is \_\_\_\_\_.

Party A (seal)

Party B (signature or seal)

Legal Representative  
OR Authorized Representative (signature or seal)

Date: \_\_\_\_\_

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### Changes to the Labor contract

On the basis of equality, free will, negotiation and consensus by both parties, the parties agree to change the following provision of this Contract:

Party A (seal)

Party B (signature or seal)

Legal Representative  
OR Authorized Representative (signature or seal)

Date: \_\_\_\_\_

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## PHOENIX NEW MEDIA LIMITED

## SHAREHOLDERS' AGREEMENT

This SHAREHOLDERS' AGREEMENT (the "**Agreement**") is made as of the 24th day of November, 2009, by and among PHOENIX NEW MEDIA LIMITED, an exempted company duly incorporated and validly existing under the Laws of the Cayman Islands (the "**Company**"); the Persons listed on Schedule 1 of this Agreement (each an "**Investor**" and collectively the "**Investors**"); the Persons listed on Schedule 2A attached to this Agreement (collectively, the "**Existing Shareholder**"); PHOENIX SATELLITE TELEVISION INFORMATION LIMITED, a company organized and existing under the Laws of the British Virgin Islands (the "**BVI Co**"); FENGHUANG ON-LINE (BEIJING) INFORMATION TECHNOLOGY CO., LTD., a wholly owned foreign enterprise incorporated under the Laws of the PRC (the "**WFOE**") whose equity is 100% owned by the BVI Co; BEIJING TIANYING JIUZHOU NETWORK TECHNOLOGY CO., LTD., a domestic company duly incorporated and validly existing under the Laws of the PRC ("**Tian Ying**"), and YIFENG LIANHE (BEIJING) TECHNOLOGY CO., LTD., a domestic company duly incorporated and validly existing under the Laws of the PRC ("**Yi Feng**") and together with Tian Ying, the "**Domestic Companies**" and each a "**Domestic Company**". Each of the Company, the Investors, the Existing Shareholder, the BVI Co, the WFOE and the Domestic Companies shall be referred to individually as a "**Party**" and collectively as the "**Parties**".

## RECITALS

**WHEREAS**, the Company, the Investors, the Existing Shareholder, the WFOE, the Domestic Companies and the BVI Co are each parties to the Preferred Share Purchase Agreement dated as of November 9, 2009 (the "**Purchase Agreement**"); and

**WHEREAS**, in order to induce the Company to enter into the Purchase Agreement and to induce the Investors to invest funds in the Company pursuant to the Purchase Agreement, the Parties hereby agree that this Agreement shall govern certain shareholder rights and other matters as set forth in this Agreement.

**NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:**1. **DEFINITIONS.**

For purposes of this Agreement, capitalized terms shall have the meanings set forth in Exhibit A attached hereto.

2. **REGISTRATION RIGHTS.**

The registrations rights of the Investors with respect to the Company and the rights and obligations of the parties with respect to registration of the Company's Ordinary Shares are set forth on Exhibit B attached hereto. The rights set forth in Exhibit B shall terminate upon the earlier of: (i) the date of the completion of a Liquidation Event, (ii) as to any Holder, when all Registrable Securities held by such Holder (together with any Affiliate of such Holder with whom such Holder must aggregate its sales under SEC Rule 144) could be sold without restriction under SEC Rule 144(k) within a ninety (90) day period, and (iii) the date that is five (5) years following the consummation of the Qualified IPO of the Company.

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3. **INFORMATION AND OBSERVER RIGHTS.**3.1 Delivery of Financial Statements.

The Company shall deliver to the Investors:

- (a) as soon as practicable, but in any event within ninety (90) days after the end of each financial year of the Company, (i) a consolidated balance sheet as of the last day of such year; (ii) a consolidated income statement for such year; and (iii) a consolidated statement of cash flows for such year; such year-end financial statements to be in reasonable detail, prepared in accordance with an accounting standard acceptable to the Investors, consistently applied and in each case setting forth in comparative form figures for the previous year and audited and certified by independent public accountants of internationally recognized standing selected by the Company with the approval of the Investors and accompanied by a report and opinion thereon by such independent public accountants;
- (b) as soon as practicable, but in any event within forty-five (45) days after the end of each quarter of each financial year of the Company, (i) an unaudited consolidated balance sheet as of the last day of such quarter; (ii) an unaudited consolidated income statement for such quarter; and (iii) an unaudited consolidated statement of cash flows for such quarter;
- (c) as soon as practicable, but in any event within thirty (30) days after the end of each month of each financial year of the Company, (i) an unaudited consolidated balance sheet as of the last day of such month; (ii) an unaudited consolidated income statement for such month; (iii) an unaudited consolidated statement of cash flows for such month; and (iv) a statement of the Company's capitalization (including the type and amount of the Shares held by each of the then holders of such Shares);
- (d) as soon as practicable, but in any event fifteen (15) days prior to the end of each financial year, a proposed budget and business plan for the next financial year to be submitted to the Board for approval (collectively, the "**Budget**"), prepared on a quarterly basis including, revenues, expenses, cash position, balance sheets and sources and applications of funds statements (including any anticipated or planned capital expenditure or borrowings) for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company;
- (e) with respect to the financial statements called for in Sections 3.1(a), (b) and (c), such financial statements shall be accompanied by: (i) an instrument executed by the chief financial officer of the Company and certifying that such financials were prepared in accordance with an accounting standard acceptable to the Investors, consistently applied with prior practice for earlier periods (with the exception, for

differences between actual figures, on the one hand and figures for the prior year and figures presented in the Budget on the other hand;

- (f) copies of all other documents or other information sent to any Person in such Person's capacity as a shareholder of the Company;
- (g) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as an Investor or any assignee of an Investor may from time to time reasonably request; provided, however, that the Company shall not be obligated under this Section 3.1(g) or any other Section of Section 3.1 to provide information which the Company reasonably deems in good faith (i) to be a trade secret or similar confidential information or (ii) would adversely affect the attorney-client privilege between the Company and its counsel; or (iii) would breach applicable securities laws or stock exchange regulations;
- (h) if for any period the Company shall have any Subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated Subsidiaries;
- (i) notwithstanding anything else in this Section 3.1 to the contrary, the Company may cease providing the information set forth in this Section 3.1 during the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of filing of, and ending on a date one hundred eighty (180) days after the effective date of the registration effecting the IPO, to the extent required under the applicable rules of the jurisdiction in which the registration statement (or similar application for listing of the Ordinary Shares) is to be filed; provided that the Company is actively employing its reasonable best efforts to cause such registration statement to become effective.

### 3.2 Inspection.

Each Investor and such Investor's representatives shall have the right, at the Investors' expense, to visit and inspect the Company or any other Group Company's properties, to examine its books of account and records and to discuss the Company or any other Group Company's affairs, finances and accounts with its officers, all at such reasonable times during regular working hours as may be reasonably requested by such Investor and upon reasonable advance notice; provided, however, that the Company and any other Group Company shall not be obligated pursuant to this Section 3.2 to provide access to any information which it reasonably considers to be a trade secret or similar confidential information, or would adversely affect the attorney-client privilege between the Company or any other Group Company and its counsel, or breach applicable securities laws or stock exchange regulations.

### 3.3 U.S. Tax Matters.

- (a) The Company shall upon the request of any U.S. Investor (a) determine, with respect to such taxable year whether the Company (or any of its Affiliates) is a passive foreign investment company ("PFIC") as described in Section 1297 of

the United States Internal Revenue Code of 1986, as amended (the "**Code**") (including whether any exception to PFIC status may apply) or is or may be classified as a partnership or branch for U.S. federal income tax purposes, and (b) provide such information reasonably available to the Company as any U.S. Investor may reasonably request to permit such U.S. Investor to elect to treat the Company and/or any such entity (including a Subsidiary of the Company) as a "qualified electing fund" (within the meaning of Section 1295 of the Code) (a "**QEF Election**") for U.S. federal income tax purposes. The Company shall also, reasonably promptly upon request, obtain and provide any and all other information reasonably deemed necessary by the U.S. Investor to comply with the provisions of this Section 3.3(a). The Company shall, upon the request of any U.S. Investor, appoint an internationally reputable accounting firm acceptable to the Investors to prepare and submit its U.S. tax filings.

- (b) If a determination is made by the Company that the Company is a PFIC for a particular taxable year, then for such year and for each year thereafter, the Company shall also provide each known U.S. Investor within 60 days upon the request of such U.S. Investor with a completed "PFIC Annual Information Statement" as required by Treasury Regulation Section 1.1295-1(g) and any other information reasonably required by a U.S. Investor to comply with any reporting or other requirements in connection with the QEF Election.
- (c) The Company shall promptly provide the U.S. Investors with written notice if it (or any of its Subsidiaries) becomes aware that it is a controlled foreign corporation as described in Section 957 of the Code ("**CFC**"). The Company shall, upon the reasonable request of a U.S. Investor, furnish on a timely basis all information requested by such Investor to satisfy its U.S. federal income tax return filing requirements, if any, arising from its investment in the Company and relating to the Company or any Group Company's classification as a CFC.
- (d) The Company, upon a reasonable request, will comply and will cause its Subsidiaries to comply with all record-keeping, reporting, and other requests reasonably necessary for the Company and its Subsidiaries to allow any U.S. Investor to comply with any applicable U.S. federal income tax Law. The Company, will also provide any known U.S. Investor with any information reasonably requested to allow such U.S. Investor to comply with any applicable U.S. federal income tax Law (including but not limited to information relating to the transfer of any equity interests of the Company (or any Subsidiary) and the issuance or redemption by the Company (or any Subsidiary) of any equity interests).
- (e) The Company shall, if reasonably requested by a U.S. Investor, cooperate in determining whether it would be desirable, reasonable and appropriate for the Company and/or any Subsidiary to elect to be classified as a partnership or branch for U.S. federal income tax purposes and, if so, to take all reasonable steps to cause any such elections to be made, including by filing or by causing to be filed, Internal Revenue

Company shall notify all U.S. Investors prior to the making of any such election.

- (f) The Company shall, and shall cause each Group Company to, timely and accurately file tax returns in each jurisdiction in which such returns are required to be filed.
- (g) All out-of-pocket expenses incurred by the Company or any Subsidiary, resulting from the affirmative requests of a U.S. Investor pursuant to Sections 3.3(a)-(f) above shall be borne solely by the Company, where such expenses are no more than US\$50,000. If such expenses exceed US\$50,000, the exceeding portion shall be borne by the requesting US Investor(s).

### 3.4 Observer Rights.

#### (a) Intel Board Observer.

- (i) So long as Intel holds one percentage (1%) or more of the Shares on an as-converted basis, the Company shall permit one representative designated by Intel (the “**Intel Observer**”) to attend all meetings of the Board and all committees thereof (whether in person, telephonic or other) in a non-voting, observer capacity and shall provide to the Intel Observer, concurrently with the members of the Board, and in the same manner, notice of such meeting and a copy of all materials provided to such members. Upon written request by Intel pursuant to Section 5.1(b), the other Investors, the Existing Shareholder and the Company shall exercise their best efforts to cause the Intel Observer to be elected to the Board in a full voting capacity, such efforts to include, among others, voting for and recommending to the shareholders that they vote for the election of the Intel Observer to the Board.
- (ii) The Intel Observer designated by Intel under this Section 3.4(a) shall have the authority to act only as a non-voting observer, and without an express written proxy, power of attorney or other express written instrument, the Intel Observer shall not have the power or authority, as agent, attorney-in-fact, or otherwise, to vote shares, to grant waivers, approvals, or consents, to enter into or amend agreements, to accept notices or legal process, or otherwise to represent or act on behalf of Intel in any legally binding manner. The Company shall not be justified in relying on any action of the Intel Observer on behalf of Intel or on any assurance of the Intel Observer relating to any future action or decision of Intel unless and until such action or assurance is expressly acknowledged or ratified in writing by an authorized Intel signatory.
- (iii) The Intel Observer shall not be recorded or represented to be a member of the Board or to have voted at any Board meetings or on any Board resolutions, nor shall the Intel Observer be counted towards the quorum for any Board meeting or proceeding. All minutes and other records of proceedings of the Board shall clearly distinguish between the differing capacities of attendees or participants and, in the case of individual attendees at Board meetings, between attendance at the meeting and

voting on any resolutions or other proceedings. Without limiting any other rights provided elsewhere in this Agreement, the Company agrees promptly on request to provide Intel with true and complete copies of all meeting notices, agendas, Board materials, attendance records, minutes, and other records relating to any Board meetings or proceedings and to make any revisions to minutes or other records requested by Intel to clarify the Intel Observer’s role.

- (iv) Intel shall have the right to “convert” the Intel Observer into the Intel Director (as defined below) pursuant to Section 5.1(b).
- (b) Morningside Board Observer.
- (i) If Morningside is not entitled to elect a director to the Board pursuant to Section 5.1(a), the Company shall permit one representative designated by Morningside (the “**Morningside Observer**”) to attend all meetings of the Board and all committees thereof (whether in person, telephonic or other) in a non-voting, observer capacity, provided that Morningside holds one percentage (1%) or more of the Shares on an as-converted basis. The Morningside Observer shall have the same rights and obligations as provided under Section 3.4(a).
  - (ii) Notwithstanding anything to the contrary in this Section 3.4, in addition to the right which Morningside is entitled to pursuant to Section 5.1(a), Morningside shall have the right (but not the obligation) to appoint the Morningside Observer in the event that Intel “converts” the Intel Observer into the Intel Director pursuant to Section 5.1(b), provided that Morningside holds one percentage (1%) or more of the Shares on an as-converted basis.
- (c) Bertelsmann Board Observer.

So long as Bertelsmann holds one percentage (1%) or more of the Shares on an as-converted basis, the Company shall permit one representative designated by Bertelsmann (the “**Bertelsmann Observer**”) to attend all meetings of the Board and all committees thereof (whether in person, telephonic or other) in a non-voting, observer capacity. The Bertelsmann Observer shall have the same rights and obligations as provided under Section 3.4(a).

### 3.5 Termination of Information, Inspection and Observer Rights.

The covenants set forth in Section 3.1, Section 3.2 and Section 3.4 shall terminate and be of no further force or effect immediately prior to (i) the consummation of the sale of Ordinary Shares in the Company’s IPO, or (ii) upon a Liquidation Event, whichever event shall first occur. The

3.6 Confidentiality.

- (a) Subject to the provisions in terms of confidentiality as provided in the Purchase Agreement, each Investor agrees that it will keep confidential and will not disclose, divulge or use for any purpose, other than to monitor its investment in the Company, any confidential information obtained from the Company pursuant to the terms of this Agreement, unless such confidential information (i) is known or becomes known to the public in general (other than as a result of a breach of this Section 3.6(a) by any Investor or persons to whom the Investors are permitted by this Section 3.6 to disclose any confidential information to), (ii) is or has been independently developed or conceived by such Investor without use of the Company's confidential information or (iii) is or has been made known or disclosed to such Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (a) to its legal advisers, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company, (b) to any prospective investor of any Registrable Securities from such Investor as long as such prospective investor agrees to be bound by the provisions of this Section 3.6(a), (c) to any Affiliate, general partner and limited partner (where such Investor is a fund), member, or shareholder of such Investor in the ordinary course of business, or (d) as may otherwise be required by law, provided that such Investor takes reasonable steps to minimize the extent of any such required disclosure, and provided that such Investor ensures that all such persons named above to whom such Investor discloses confidential information are bound by the same provisions of this Section 3.6(a). Notwithstanding any other provision in this Agreement, the confidential information delivered pursuant to Sections 3.1(a) through (e) of this Agreement may not be disclosed by any Investor prior to publication by the parent company of the Company which is listed on the Main Board of The Stock Exchange of Hong Kong Limited of the results for or incorporating the corresponding period, save where such disclosure is (i) publicly available without breach of this provision, (ii) required by Law, (iii) necessary to seek advice from legal advisers, tax consultants or accountants on specific legal, tax or accounting issues, or (iv) made to any Affiliate, general partner or limited partner of an Investor for the sole purpose of monitoring in-house such Investor's investment in the Company (and not for disclosure to members, shareholders of the Investor or its Affiliates), provided that such Investor ensures that all such persons named above to whom such Investor discloses confidential information are bound by the same provisions of this Section 3.6(a). The Company acknowledges that the Investors are in the business of private equity investing and therefore review the business plans and related proprietary information of many enterprises, including enterprises which may have products or services which compete directly or indirectly with those of the Company. Nothing in this Agreement shall preclude or in any way restrict an Investor from investing or participating in any particular enterprise whether or not such enterprise has products or services which compete with those of the Company, provided that such Investor shall be in compliance with its confidentiality obligations hereunder.

- (b) Subject to the provisions in terms of confidentiality as provided in the Purchase Agreement, the Company agrees that it will keep confidential and will not disclose, divulge or use for any purpose, other than for the discharge of their obligations under this Agreement, any confidential information obtained from an Investor pursuant to the terms of this Agreement, unless such confidential information (i) is known or becomes known to the public in general (other than as a result of a breach of this Section 3.6(b) by the Company), (ii) is or has been independently developed or conceived by the Company without use of any of such Investor's confidential information or (iii) is or has been made known or disclosed to the Company by a third party without a breach of any obligation of confidentiality such third party may have to such Investor; provided, however, that the Company may disclose confidential information (a) to its legal advisers, accountants, consultants, and other professionals to the extent necessary for the discharge of their obligations under this Agreement, (b) to any Affiliate, partner, member, shareholder or wholly-owned Subsidiary of the Company in the ordinary course of business, or (c) as may otherwise be required by law, provided that the Company take reasonable steps to minimize the extent of any such required disclosure.
- (c) Solely for the purpose of this Section 3.6, "Investor" shall not include Intel as long as the Non-Disclosure Agreement (as defined below) is in effect. The Company and Intel shall be governed exclusively by the corporate non-disclosure agreement (No. 7440965) dated May 27, 2009 by and between the Company and Intel Corporation (the "**Non-Disclosure Agreement**").

4. **RIGHT OF FIRST OFFER.**

4.1 Right of First Offer.

Subject to the terms and conditions specified in this Section 4.1, and applicable securities laws, in the event the Company proposes to offer or sell any Additional Ordinary Shares, the Company shall first make an offering of such Additional Ordinary Shares to the Investors (the "**Offerees**" and each an "**Offeree**") in proportion to their respective shareholding in the Company in accordance with the following provisions of this Section 4.1. Any Investor Offeree shall be entitled to apportion the right of first offer hereby granted it among themselves and their partners, members and Affiliates in such proportions as it deems appropriate provided that such partners, members and Affiliates do not have any interest in any business, company or asset which competes with the business of the Company or any of its Subsidiaries.

- (a) The Company shall deliver a notice, in accordance with the provisions of Section 8.4 hereof, (the "**Offer Notice**") to the Offerees stating (i) its bona fide intention to offer such Additional Ordinary Shares, (ii) the number of such Additional Ordinary Shares to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such Additional Ordinary Shares.
- (b) By written notification received by the Company, within twenty (20) calendar days after mailing of the Offer Notice, each Offeree may elect to (but not be obligated to) purchase or obtain, at the price and on the terms specified in the Offer Notice, up to that portion of such Additional Ordinary Shares which

equals the proportion that the number of Ordinary Shares issued and held or issuable upon conversion of the Preferred Shares (and any other securities convertible into, or otherwise exercisable or exchangeable for, Ordinary Shares) then held, by such Offeree bears to the total number of Ordinary Shares then outstanding on an as-converted basis. The Company shall promptly, in writing, inform each Offeree that elects to purchase all the shares available to it (each, a “Fully-Exercising Holder”) of any other Offeree’s failure to do likewise. During the ten (10) day-period commencing immediately after receipt of such information, each Fully-Exercising Holder shall be entitled to obtain that portion of the Additional Ordinary Shares for which any of the Offerees were entitled to subscribe but which were not subscribed for by the Offerees which is equal to the proportion that the number of Ordinary Shares issued and held, or issuable upon conversion of Preferred Shares then held by such Fully-Exercising Holder bears to the total number of Ordinary Shares issued and held, or issuable upon conversion of the Preferred Shares then held by all Fully-Exercising Holders who wish to purchase such unsubscribed Additional Ordinary Shares.

- (c) If all Additional Ordinary Shares referred to in the Offer Notice are not elected to be purchased or obtained as provided in Section 4.1(b) hereof, the Company may, during the ninety (90) day period following the expiration of the period provided in Section 4.1(b) hereof, offer the remaining unsubscribed portion of such Additional Ordinary Shares (collectively, the “Refused Securities”) to any person or persons at a price not less than, and upon terms no more favorable to the Offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the Additional Ordinary Shares within such period, or if such agreement is not consummated within ninety (90) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Additional Ordinary Shares shall not be offered unless first reoffered to the Investors in accordance with this Section 4.1.
- (d) The right of first offer set forth in this Section 4.1 may be freely assigned or transferred except that such right is not assignable by an Investor to any Competitor (as defined below) or connected person (as defined in the Listing Rules) of the parent company of the Company which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

#### 4.2 Termination.

The provisions of this Section 4 shall terminate upon the earlier of: (a) the consummation of the Company’s IPO and (b) upon a Liquidation Event.

### 5. **BOARD COMPOSITION AND VOTING MATTERS.**

#### 5.1 Board Composition.

Each Shareholder agrees to vote all of his, her or its Shares in the Company (whether now owned or hereafter acquired or which the Shareholder may be empowered to vote), from time to time and at all times, in whatever manner shall be necessary to ensure that at each annual or special meeting of shareholders at which an election of

directors is held or pursuant to any written consent of the shareholders, the following persons shall be elected to the Board:

- (a) so long as Morningside holds three percentage (3%) or more of Company’s Shares on an as-converted basis, it shall be entitled to elect one (1) director of the Board (the “Series A Director”), initially to be LIU Qin (刘芹).
- (b) so long as Intel holds three percentage (3%) or more of Company’s Shares on an as-converted basis, Intel shall have the right, exercisable at any time at its sole discretion by written notice to the Company, to either (i) “convert” the Intel Observer into one (1) director of the Board (the “Intel Director”) and appoint another non-voting observer, or (ii) not “convert” the Intel Observer and elect one (1) other representative to be director of the Board, in each case provided that the number of the directors of the Board shall then accordingly increase up to seven (7) with the remaining director to be appointed by the Existing Shareholder.
- (c) The Existing Shareholder shall be entitled to elect four (4) directors of the Board, two of whom shall be then current senior managements of the Company.

#### 5.2 Size of the Board; Subsidiaries.

Each Shareholder agrees to vote all of its Shares from time to time and at all times, in whatever manner shall be necessary to ensure that the size of the Board shall be set at five (5) directors.

It is further agreed that the board of directors of each of the Domestic Companies, the WFOE, the BVI Co and other Subsidiaries of the Company (including in the event that the Company shall form or acquire any new Subsidiaries), to the extent legally and commercially feasible, shall have same board composition with the Company as determined in accordance with Section 5.1, and the Company and the Existing Shareholder shall procure that such nominee(s) are appointed to the relevant board of directors.

#### 5.3 Removal of Board Members.

Each Shareholder also agrees to vote all of his, her or its Shares from time to time and at all times in whatever manner as shall be necessary to ensure that (i) no director elected pursuant to Section 5.1 of this Agreement may be removed from office unless (A) such removal is directed or approved by the affirmative vote of the holders of fifty percent (50%) or more of the shares entitled under Section 5.1 to designate that director or (B) the person(s) or entity(ies) originally entitled to designate or approve such director or occupy such Board seat pursuant to Section 5.1 is no longer so entitled to designate or approve such director or occupy such Board seat; and (ii) any vacancies created by the resignation, removal or death of a director elected pursuant to Section 5.1 shall be filled pursuant to the provisions of Section 5.1. All Shareholders agree to execute any written consents required to effectuate the obligations of this Agreement, and the Company agrees at the request of any Shareholder entitled to designate directors to call a special meeting of shareholders for the purpose of electing directors.



#### 5.4 Drag-Along Right for Qualified IPO.

In the event that the holders of at least two thirds (2/3) of the then outstanding Preferred Shares and the Conversion Shares, by written notice to the Company, demand the Company to initiate a Qualified IPO (the “**Demand Notice**”), the Company shall, make its best efforts to (i) engage a lead underwriter acceptable to the holders of at least two thirds (2/3) of the then outstanding Preferred Shares and the Conversion Shares, and (ii) consummate such Qualified IPO as soon as practically possible, but in any event within twelve (12) months following the date of the Demand Notice, unless such Qualified IPO is not then practicable in the professional opinion of investment bankers. The Existing Shareholder hereby agrees with respect to all Shares that he, she or it holds and any other Company securities over which he, she or it otherwise exercises dispositive power:

- (a) in the event such transaction requires the approval of shareholders, (a) if the matter is to be brought to a vote at a shareholder meeting, after receiving proper notice of any meeting of shareholders of the Company to vote on the approval of a Qualified IPO, to be present, in person or by proxy, as a holder of Shares, at all such meetings and be counted for the purposes of determining the presence of a quorum at such meetings; and (b) to vote (in person, by proxy or by action by written consent, as applicable) all Shares in favor of such Qualified IPO and in opposition of any and all other proposals that could reasonably be expected to delay or impair the ability of the Company to consummate such Qualified IPO; and
- (b) subject to all applicable Laws, rules and regulations, to execute and deliver all related documentation and take such other action in support of the Qualified IPO as shall reasonably be requested by the Company.

Notwithstanding the foregoing, the Existing Shareholder shall not be compelled to take any action that it can reasonably demonstrate violates any applicable Law, listing rules or fiduciary duty.

#### 5.5 Increase in Authorized Share Capital.

Each Shareholder agrees to vote all of its Shares from time to time and at all times, in whatever manner shall be necessary to authorize an increase in the authorized share capital of the Company so that there will be sufficient Ordinary Shares available for conversion of all of the then-outstanding Preferred Shares at any time that an adjustment to the relevant conversion price with respect to the Preferred Shares is made under the Articles.

#### 5.6 Specific Enforcement.

Each Shareholder acknowledges and agrees that each Party hereto will be irreparably damaged in the event any of the provisions of this Section 5 are not performed by the Shareholder in accordance with their specific terms or are otherwise breached. Accordingly, it is agreed that each of the Company and the Shareholders shall be entitled to an injunction to prevent breaches of this Agreement and to specific enforcement of this Agreement and its terms and provisions in any action instituted in any court of competent jurisdiction, in addition to any other remedy to which the

Parties may be entitled at law or in equity. Each of the Parties to this Agreement hereby consents to personal jurisdiction in any such action brought in the courts of Hong Kong.

#### 5.7 Term.

The provisions of this Section 5 shall be effective as of the date hereof and shall continue in effect until and shall terminate upon the earlier to occur of (a) the consummation of a Qualified IPO, and (b) a Liquidation Event; provided, however, that the provisions of Section 5.5 shall survive until the Investors have converted all of their Preferred Shares into Ordinary Shares.

### 6. **RIGHT OF FIRST REFUSAL, CO-SALE AND RESTRICTIONS ON SALE.**

#### 6.1 Restrictions on Transfer.

##### (a) Transfer of Shares.

Any proposed assignment, sale, offer to sell, pledge, mortgage, hypothecation, encumbrance, disposition of or any other like transfer or encumbering, through one or a series of transactions, of any interest in any Shares now or hereafter owned or held by any Shareholder either directly or indirectly (in each case, a “**Transfer**”) shall be made in compliance with the terms of this Section 6. For avoidance of doubt, any change in the equity interest of the Existing Shareholder that is an entity, including without limitation as a result of (i) the issuance or redemption by the Existing Shareholder of any portion of its outstanding shares or equity, or (ii) a Transfer of the Existing Shareholder’s equity by its equity holder, shall constitute a Proposed Transfer (as defined below) for purposes of this Agreement.

##### (b) Prohibition on Transfer of Ordinary Shares.

In addition to the restrictions set forth in Sections 6.2 and 6.3, without the prior consent of the Investors pursuant to Section 7.1, the Existing Shareholder and any transferee of the Existing Shareholder’s interest (the Existing Shareholder and such transferee, each a “**Restricted Shareholder**”), shall not effect a Transfer prior to a Qualified IPO.

##### (c) Restriction on Transfer of Preferred Shares.

Notwithstanding anything to the contrary herein, each of the Investors may, whether in a single transaction or in a series of transactions, make a Transfer of its outstanding Preferred Shares at any time prior to a Qualified IPO to any third party who is not any of its successors and permitted assigns, provided, however, that any Investor shall not, without the prior written consent of the Company, make a Transfer of any of its Preferred Shares to any Competitor or any connected person (as defined in the Listing Rules) of the parent company of the Company which is listed on the

changed annually by the Board of the Company (including the affirmative consent of the Series A Director).

1. QQ, 2. QQ, 3. QQ, 4. QQ, 5. QQ, 6. QQ, 7. QQ, 8. QQ, 9. QQ, 10. SK Telecom, 11. Docomo, 12. QQ, 13. QQ, 14. QQ, 15. Google

## 6.2 Right of First Refusal.

### (a) Proposed Transfer Notice; Company Right of First Refusal.

Each Restricted Shareholder (including its successors and permitted assigns)(a “**Transferor**”) proposing to make a Transfer (a “**Proposed Transfer**”) must deliver a notice (the “**Proposed Transfer Notice**”) to the Company and each of the Investors (each Investor, an “**Eligible Holder**”) no later than sixty (60) calendar days prior to the consummation of such Proposed Transfer. Such Proposed Transfer Notice shall contain the material terms and conditions of the Proposed Transfer, including without limitation a description of the Shares (the “**Transfer Shares**”) that such Transferor may propose to transfer, and the identity of the Prospective Transferee. In the event of a conflict between this Agreement and any other agreement that may have been entered into by a Transferor with the Company that contains a preexisting right of first refusal, the terms of this Agreement shall control and the preexisting right of first refusal shall be deemed satisfied by compliance with this Section 6.2.

### (b) Grant of Right of First Refusal to Eligible Holders. Each Transferor hereby unconditionally and irrevocably grants to each Eligible Holder (including its successors and permitted assigns) a right of first refusal (the “**Right of First Refusal**”) to purchase its Pro Rata ROFR Share (as defined below) of any Transfer Shares. To exercise its Right of First Refusal, an Eligible Holder must deliver an exercise notice to the Transferor and the Company indicating the number of Transfer Shares such Eligible Holder wishes to purchase within thirty (30) calendar days after delivery of the Proposed Transfer Notice (the “**ROFR Exercise Period**”).

An Eligible Holder’s “**Pro Rata ROFR Share**” of a specified quantity of Transfer Shares shall mean that number of Transfer Shares which equals the specified quantity of Transfer Shares proposed to be transferred by the Transferor, multiplied by a fraction equal to (i) the number of Shares then held by such Eligible Holder (on an as converted basis and including Ordinary Shares issued upon conversion thereof), divided by (ii) the total number of Shares (on an as converted basis and including Ordinary Shares issued upon conversion thereof) then held by all Eligible Holders.

### (c) Under-subscription of Transfer Shares. If rights to purchase the Transfer Shares have been exercised by the Eligible Holders with respect to some but not all of the Transfer Shares by the end of the ROFR Exercise Period, then, within five (5) calendar days after the expiration of the ROFR Exercise Period, the Transferor shall send written notice (the “**Undersubscription Notice**”) of the foregoing to the Company and those Eligible Holders who have fully exercised their Right of First Refusal within the ROFR Exercise Period (the

“**Exercising Eligible Holder**”). Each Exercising Eligible Holder shall have an additional right to purchase all or any part of its Pro Rata ROFR Share (as defined below) of the balance of any such remaining unsubscribed Transfer Shares on the terms and conditions set forth in the Proposed Transfer Notice. To exercise its rights to purchase additional Transfer Shares pursuant to this Section 6.2(c), an Exercising Eligible Holder must deliver to the Transferor and the Company an exercise notice indicating the additional number of Transfer Shares such Exercising Eligible Holder wishes to purchase within ten (10) calendar days after the receipt of the Undersubscription Notice (the “**Undersubscription Exercise Period**”). Within five (5) calendar days after the expiration of the Undersubscription Exercise Period, the Transferor shall give written notice to the Company and each Eligible Holder specifying the number of Transfer Shares that have been subscribed by each Eligible Holder exercising its Right of First Refusal (the “**Confirmation Notice**”).

An Exercising Eligible Holder’s “**Pro Rata ROFR Share**” of a specified quantity of Transfer Shares shall mean that number of Transfer Shares which equals the specified quantity of remaining unsubscribed Transfer Shares proposed to be transferred by the Transferor, multiplied by a fraction equal to (i) the number of Shares then held by such Exercising Eligible Holder (on an as converted basis and including Ordinary Shares issued upon conversion thereof), divided by (ii) the total number of Shares (on an as converted basis and including Ordinary Shares issued upon conversion thereof) then held by all Exercising Eligible Holders.

### (d) Consideration; Closing. If the consideration proposed to be paid for the Transfer Shares is in property, services or other non-cash consideration, the fair market value of the consideration shall be determined in good faith by the Board. If the Company or any Eligible Holder cannot for any reason pay for the Transfer Shares in the same form of non-cash consideration, the Company or such Eligible Holder may pay the cash value equivalent thereof, as determined by the Board. The closing of the purchase of the Transfer Shares by the Eligible Holders shall take place, and all payments from the Eligible Holders shall have been delivered to the Transferor, by the later of (i) the date specified in the Proposed Transfer Notice as the intended date of the Proposed Transfer and (ii) ten (10) calendar days after delivery of the Confirmation Notice.

## 6.3 Right of Co-Sale.

### (a) If any Transfer Shares subject to a Proposed Transfer are not purchased pursuant to Section 6.2 above and thereafter are to be sold to a Prospective Transferee (such Transfer Shares, the “**Co-Sale Eligible Shares**”), each Eligible Holder that has not exercised its rights under Section 6.2(b) (each a “**Co-Sale Eligible Holder**”) may elect to exercise its right (a “**Right of Co-Sale**”) and participate on a pro-rata basis in the Proposed Transfer on the same terms and conditions specified in the Proposed Transfer Notice. To exercise its Right of Co-Sale the Co-Sale Eligible Holder must give the Transferor written notice to that effect within fifteen (15) calendar days (the “**Co-Sale Period**”) after receipt of the Confirmation Notice as provided in Section 6.2(c),

and upon giving such notice the Co-Sale Eligible Holder shall be deemed to have effectively exercised the Right of Co-Sale.

- (b) Each Co-Sale Eligible Holder, by timely exercising its Right of Co-Sale by delivering the written notice provided for above in Section 6.3(a) may include in the Proposed Transfer all or any part of its Shares equal to the product obtained by multiplying (i) the aggregate number of Co-Sale Eligible Shares by (ii) a fraction, the numerator of which is the number of Shares then held by such Co-Sale Eligible Holder (on an as converted basis and including Ordinary Shares issued upon conversion thereof) immediately prior to the consummation of the Proposed Transfer and the denominator of which is the total number of Shares (on an as converted basis and including Ordinary Shares issued upon conversion thereof) then held by all Co-Sale Eligible Holders immediately before consummation of the Proposed Transfer, plus the number of Shares held by the Transferor. To the extent that one or more of the Co-Sale Eligible Holders exercises such right of participation in accordance with the terms and conditions set forth herein, the number of Co-Sale Eligible Shares that the Transferor may sell in the Proposed Transfer shall be correspondingly reduced.
- (c) The sale of the Co-Sale Eligible Shares and remaining Transfer Shares shall occur within twenty-five (25) calendar days from the beginning of the Co—Sale Period (the “**Co-Sale Closing**”). For avoidance of doubt, the Right of Co—Sale shall not apply with respect to Transfer Shares sold or to be sold to the Eligible Holders under the Right of First Refusal in Section 6.2.
- (d) A Co-Sale Eligible Holder shall effect its participation in the Proposed Transfer by delivering to the Transferor, prior to the Co-Sale Closing, one or more share certificates, properly endorsed for transfer to the Prospective Transferee, representing:
  - (i) the number of Ordinary Shares that such Eligible Holder elects to include in the Proposed Transfer; or
  - (ii) the number of Preferred Shares that are at such time convertible into the number of Ordinary Shares that such Eligible Holder elects to include in the Proposed Transfer; provided, however, that if the Prospective Transferee objects to the delivery of convertible Preferred Shares in lieu of Ordinary Shares, such Eligible Holder shall first convert the Preferred Shares into Ordinary Shares and deliver Ordinary Shares as provided above. The Company agrees to make any such conversion concurrent with and contingent upon the actual transfer of such shares to the Prospective Transferee.
- (e) The terms and conditions of any sale pursuant to this Section 6.3 will be contained in, and governed by, a written purchase and sale agreement with customary terms and provisions for such a transaction.
- (f) Each share certificate a Co-Sale Eligible Holder delivers to the Transferor pursuant to Section 6.3(c) above will be transferred to the Prospective Transferee against payment therefor in consummation of the sale of the

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Transfer Shares pursuant to the terms and conditions specified in the Proposed Transfer Notice and the purchase and sale agreement, and the Transferor shall concurrently therewith remit to each Co-Sale Eligible Holder the portion of the sale proceeds to which such Co-Sale Eligible Holder is entitled by reason of its participation in such sale. If any Prospective Transferee or Transferees refuse(s) to purchase securities subject to the Right of Co-Sale from any Co-Sale Eligible Holder exercising its Right of Co-Sale hereunder, no Transferor may sell any Transfer Shares to such Prospective Transferee or Transferees unless and until, simultaneously with such sale, such Transferor purchases all securities subject to the Right of Co-Sale from such Co-Sale Eligible Holder.

#### 6.4 Proposed Transfer - Compliance Period

If any Proposed Transfer is not consummated within seventy-five (75) days after receipt of the Proposed Transfer Notice by the Eligible Holders, the Transferor proposing to make a Proposed Transfer may not sell any Transfer Shares unless such Transferor has complied in full with each provision of this Section 6. The exercise or election not to exercise any right by any Eligible Holder hereunder shall not adversely affect its right to participate in any other sales of Transfer Shares subject to this Section 6.

#### 6.5 Effect of Failure to Comply.

- (a) Any Proposed Transfer not made in compliance with the requirements of this Agreement (including without limitation this Section 6) shall be null and void ab initio, shall not be recorded on the books or register of the Company or its transfer agent and shall not be recognized by the Company. Each Party hereto acknowledges and agrees that any breach of this Agreement would result in substantial harm to the other Parties hereto for which monetary damages alone could not adequately compensate. Therefore, the Parties hereto unconditionally and irrevocably agree that any non-breaching Party hereto shall be entitled to seek protective orders, injunctive relief and other remedies available at law or in equity (including, without limitation, seeking specific performance or the rescission of purchases, sales and other transfers of Shares not made in strict compliance with this Agreement).
- (b) If the Existing Shareholder purports to sell any Shares in contravention of the Right of Co-Sale (a “**Prohibited Transfer**”), each Eligible Holder, in addition to such remedies as may be available by law, in equity or hereunder, is entitled to require such Transferor to purchase Shares from the Eligible Holder, as provided below, and such Transferor will be bound by the terms of such option. If a Transferor makes a Prohibited Transfer, each Eligible Holder upon timely exercise of its Right of Co-Sale under Section 6.3 may require such Transferor to purchase from such Eligible Holder the type and number of Shares that such Eligible Holder would have been entitled to sell to the Prospective Transferee under Section 6.3 had the Prohibited Transfer been effected pursuant to and in compliance with the terms of Section 6.3. The sale will be made on the same terms and subject to the same conditions as would have applied had the Transferor not made the Prohibited Transfer, except that the sale (including, without limitation, the delivery of the purchase price) must be made within ninety (90) days after the Eligible Holder learns of the

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Prohibited Transfer, as opposed to the timeframe prescribed in Section 6.3. Such Transferor shall also reimburse such Eligible Holder for any and all fees and expenses, including legal fees and expenses, incurred pursuant to the exercise or the attempted exercise of such Investor’s rights under

### Section 6.3.

#### 6.6 Exempt Transfers.

Notwithstanding the foregoing or anything to the contrary herein, the provisions of Section 6.1(b), Section 6.2 and Section 6.3 shall not apply: (i) to a repurchase of Shares from a Transferor by the Company at a price no greater than that originally paid by such Transferor for such Shares and pursuant to an agreement containing vesting and/or repurchase provisions under the Share Plan, (ii) in the case of a Transferor that is a natural person, upon a transfer of Shares by such Transferor, either during his or her lifetime or on death by will or intestacy, to his or her Immediate Family Members or any other relatives approved by the Board, or any custodian or trustee for the account of a Transferor or a Transferor's Immediate Family Members, (iii) to a transfer by any holder of Ordinary Shares to any subsidiary whose equity securities are one hundred percent owned by such holder of Ordinary Shares, a parent company owning, directly or indirectly, one hundred percent of the equity securities in such holder of Ordinary Shares, or a subsidiary (directly or indirectly) whose equity securities are one hundred percent owned by such parent company, or (iv) the sale of any Shares to the public in a Qualified IPO.

#### 6.7 Term.

The provisions of this Section 6 shall terminate upon the earlier of (i) the consummation of a Qualified IPO and (ii) the occurrence of a Liquidation Event.

### 7. **ADDITIONAL COVENANTS.**

#### 7.1 Protective Provisions: Matters Requiring the Approval of Holders of Preferred Shares.

(a) In addition to any other vote or consent required elsewhere in this Agreement, the Articles or by any applicable statute, each of the Company and any other Group Companies hereby covenants and agrees with the Investors that it shall not, either directly or indirectly, by amendment, waiver, merger or otherwise (or permit any Group Company to do (substituting references to "Company" with "Group Company" in the provisions and defined terms below as the context requires)), take any of the following actions without the prior affirmative approval or consent of the holders of at least two thirds (2/3) of the then outstanding Preferred Shares:

- (i) any amendment, modification or change of any rights, preferences, privileges or powers of, or any restrictions provided for the benefit of, the holders of Preferred Shares;
- (ii) the authorization, creation or issuance of any class or series of securities (or warrants, options or similar rights to acquire such securities) having any right, preference or priority superior to or on a parity with the Preferred Shares, whether in terms of voting rights, dividends, liquidation preferences, conversion rights, adjustment to

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conversion prices, redemption rights or otherwise, excluding issuances to eligible persons pursuant to the Share Plan;

- (iii) repurchase or redemption of shares (other than pursuant to the terms herein, or conditions upon which such shares are issued and in both cases in accordance with the repurchase or redemption provisions in the Articles) and the issuance of shares with such rights of repurchase or redemption;
- (iv) stock split, share consolidation or stock dividend, reclassification or other forms of restructuring of share capital;
- (v) any amendment, repeal, modification or change of any provision of the Articles of the Company or the constitutional documents of any other Group Company;
- (vi) any change in the business scope or nature of the business of the Group Companies (taken as a whole);
- (vii) any merger, amalgamation, sale, consolidation of any Group Company with or into any other entity or entities or any spin-off, sub-division, or any other transaction of a similar nature or having a similar economic effects as any of the foregoing, or other forms of restructuring of any Group Company;
- (viii) public offering of any debt or equity securities of any Group Company;
- (ix) liquidation, dissolution or winding up of any Group Company;
- (x) the sale or disposal of or creation of any encumbrance over all or substantially all of the assets of any Group Company or any material asset or undertaking of any Group Company as a result of which such Group Company may not be able to continue or maintain its normal business or the scale of its normal business;
- (xi) transactions between any Group Company and any of its shareholders, directors, officers, employees or other insiders and any of their family members or affiliates other than transactions occurring in the ordinary course of business and on an arms-length basis and upon full disclosure in writing to the holders of Preferred Shares;
- (xii) creation of any mortgage, pledge, lien, charge on all or any assets or rights (including intellectual property rights) of the Group Companies (taken as a whole) (other than those in favor of any Group Company) in excess of RMB10,000,000, or providing any type of guarantee by the Group Companies (taken as a whole) (other than those in favor of any Group Company) in excess of RMB10,000,000 and such mortgage, pledge, lien, charge or guarantee is not provided in the annual budget of the Group Companies (taken as a whole);

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- (xiii) any increase or decrease in the number of the board of directors of any Group Company;
  - (xiv) appointment or removal of the auditors of any Group Company and the determination of their fees, remuneration or other compensation;
  - (xv) any extraordinary increase in remuneration, compensation or other benefits (excluding employees' share options) of any of the five (5) most highly compensated employees of the Group Companies (taken as a whole) of any such individual above 30% of their current entitlements; and
  - (xvi) the incurrence of any expenditure or indebtedness or assumption of any financial obligations or the issue, assumption, or creation of any liability for borrowed money by any Group Company (in one transaction or a series of related transactions) other than those as provided in the annual budget, in excess of US\$1,000,000.
- (b) Any decision to depart from the Company's current policy of not declaring, accruing or paying dividend on any Shares which is not acceptable to the Series A director would give rise to an early and immediate redemption right to each of the Investors.
- (c) Replacement of and additional appointment to the current chief executive officer, the chief financial officer, the chief operating officer of the Company, or their equivalent as of the date of this Agreement which is not acceptable to the Series A director would give rise to an early and immediate redemption right to each of the Investors.
- (d) Any significant departure of more than 50% in the forecasted profit of an annual budget or any significant departure of a business plan in the adoption of such annual budget or setting any milestones or corporate benchmarks for the Group Companies from the three-year projections and the business plan submitted by the Company to the Investors in connection with the transactions contemplated under the Purchase Agreement would give rise to an early and immediate redemption right to each of the Investors.
- (e) The creation, adoption or amendment of any equity incentive plan, or equivalent, for the benefit of the Group Companies' employees, directors and consultants and the amendment to any terms and conditions thereof (save as mandatorily required by the Hong Kong Stock Exchange rules), which is not acceptable to the Series A director would give rise to an early and immediate redemption right to each of the Investors.
- (f) For the avoidance of doubt, the Existing Shareholder shall not in any event be liable under any Transaction Document in respect of any early redemption of the Preferred Shares under the Transaction Documents (as defined in the Purchase Agreement), or any Breach (as defined in the Purchase Agreement) or alleged Breach (as defined in the Purchase Agreement) of any provision solely in connection with redemption of the Preferred Shares under the Transactions Documents (as defined in the Purchase Agreement).

## 7.2 Meetings of the Board.

Unless otherwise determined by the vote of a majority of the directors then in office, the Board shall meet at least quarterly in accordance with an agreed upon schedule.

## 7.3 Successor Indemnification.

In the event that the Company or any of its successors or assigns (i) consolidates with or merges into any other entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any person or entity, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of the Company assume the obligations of the Company with respect to indemnification of members of the Board as in effect immediately prior to such transaction, whether in the Articles or elsewhere, as the case may be.

## 7.4 Business Principles.

Each of the Group Companies agrees and undertakes to the Investors that the business of such Group Company will be designed and carried on in accordance with the following business principles (collectively, the "**Business Principles**"), namely, in a way that:

- (a) provides safe and healthy working conditions for its employees and contractors;
- (b) encourages the efficient use of natural resources and promotes the protection of the environment;
- (c) treats all employees fairly in terms of recruitment, progression, remuneration and conditions of work, irrespective of gender, race, color, language, disability, political opinion, age, religion, or national/social origin;
- (d) allows consultative work-place structures and associations that provide employees with an opportunity to present their views to management;
- (e) takes account of the impact of its operations on the local community and seeks to ensure that potentially harmful occupational health and safety, environmental and social effects are properly assessed, addressed and monitored;
- (f) upholds high standards of business integrity and honesty, and operates in accordance with local laws and international good practice (including those intended to fight extortion, bribery and financial crime);
- (g) implements a social and environmental management system that enables effective identification, management and monitoring of any risks and provides a framework for action; and
- (h) provides for the reporting of the company's compliances with the Business Principles in an annual report by the company to its Board in a manner that allows a reader to make an informed assessment of the business of the

Company and, to the extent relevant, its subsidiary undertakings as against the requirements of the Business Principles.

7.5 Subsidiaries.

All material aspects of the formation, maintenance and compliance of any direct or indirect Subsidiary or entity Controlled by the Company, whether now in existence or formed in the future, shall be subject to the review and approval by the Board (including approval by the Series A Director), and the Company shall promptly provide the Investors with copies of all material related documents and correspondence. The Company and the Existing Shareholder shall ensure that the board of directors of any of its Subsidiaries, shall not have independent decision making power over their respective entities, and that the Company shall have sole decision making power over all business and affairs of any of its Subsidiaries; provided that, in lieu thereof, at the written election of the holders of a majority of Registrable Securities, the board of directors of each current or future Subsidiary shall be the same size, and shall consist of the same persons as directors, as those of the Company, and such directors shall be appointed and removed by the appointing parties in the same manner, if permitted under the Laws of the jurisdiction of such Subsidiary, as provided for the Board in Section 5.1 above.

7.6 Insurance.

The Company shall use its reasonable best efforts to obtain from financially sound and reputable insurers directors and officers liability insurance each in an amount satisfactory to the Board, and will use reasonable best efforts to cause such insurance policies to be maintained until such time as the Board determines that such insurance should be discontinued. Such insurance policy shall name the Company as loss payee and shall not be cancelable by the Company without prior approval of the Board including approval by the Series A Director.

7.7 Termination of Covenants.

The covenants set forth in this Section 7 (other than Section 7.4) shall terminate and be of no further force or effect upon (a) the consummation of a Qualified IPO, or (b) upon the consummation of a Liquidation Event, whichever event shall first occur.

8. **MISCELLANEOUS.**

8.1 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of Hong Kong as to matters within the scope hereof, without regard to its principles of conflicts of laws.

8.2 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may also be executed and delivered by facsimile or other

electronic signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.3 Headings and Subheadings.

The headings and subheadings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.4 Notices.

All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next Business Day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address, or to such facsimile number or address as set forth on Schedule 3 hereto or as subsequently modified by written notice given in accordance with this Section 8.4.

8.5 Costs of Enforcement.

If any party to this Agreement seeks to enforce its rights under this Agreement by legal proceedings, the non-prevailing party shall pay all costs and expenses by the prevailing party, including, without limitation, all reasonable legal adviser's fees, as directed by the relevant court.

8.6 Amendments and Waivers.

Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of (i) the Company, (ii) the Existing Shareholder, and (iii) each Investor. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereunder may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment, termination or waiver applies to all Investors in the same fashion. The Company shall give prompt written notice of any amendment or termination hereof or waiver hereunder to any Party hereto that did not consent in writing to such amendment, termination or waiver. Any amendment, termination or waiver effected in accordance

with this Section 8.6 shall be binding on all Parties hereto, even if they do not execute such consent. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

8.7 Severability.

The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

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8.8 Aggregation of Shares.

All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

8.9 Entire Agreement.

This Agreement (including the Exhibits hereto, if any) constitutes the full and entire understanding and agreement between the Parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the Parties are expressly canceled.

8.10 Transfers, Successors and Assigns.

- (a) The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the Parties hereto or their respective executors, administrators, heirs, successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.
- (b) Each transferee or assignee of the Shares subject to this Agreement shall continue to be subject to the terms hereof, and, as a condition to the Company's recognizing such transfer, each transferee or assignee shall agree in writing to be subject to each of the terms of this Agreement by executing and delivering an Assumption Agreement substantially in the form attached hereto as Exhibit C. Upon the execution and delivery of an Assumption Agreement by any transferee, such transferee shall be deemed to be a Party hereto as if such transferee's signature appeared on the signature pages of this Agreement. By execution of this Agreement or of any Assumption Agreement, each of the Parties appoints the Company as its attorney in fact for the purpose of executing any Assumption Agreement that may be required to be delivered under the terms of this Agreement. The Company shall not permit the transfer of the Shares subject to this Agreement on its books or issue a new certificate representing any such Shares unless and until such transferee shall have complied with the terms of this Section 8.10. Each certificate representing the Shares subject to this Agreement if issued on or after the date of this Agreement shall be endorsed by the Company with the legend set forth in Section 8.11.

8.11 Legend.

- (a) Each certificate representing Shares issued by the Company shall be endorsed with the following legend:

THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A CERTAIN SHAREHOLDERS' AGREEMENT BY AND AMONG THE SHAREHOLDER, THE COMPANY AND CERTAIN

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OTHER HOLDERS OF SHARES OF THE COMPANY. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

- (b) The Existing Shareholder agrees that the Company may instruct its transfer agent to impose transfer restrictions on the shares represented by certificates bearing the legend referred to in Section 8.11(a) above to enforce the provisions of this Agreement, and the Company agrees to promptly do so. The legend shall be removed upon termination of this Agreement at the request of the Holder.

8.12 Dispute Resolution.

- (a) Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall first be subject to resolution through consultation of the parties to such dispute, controversy or claim. Such consultation shall begin within seven (7) days after one Party hereto has delivered to the other Parties involved a written request for such consultation. If within thirty (30) days following the commencement of such consultation the dispute cannot be resolved, the dispute shall be submitted to arbitration upon the request of any Party with notice to the other Parties.
- (b) The arbitration shall be conducted in Hong Kong under the auspices of the Hong Kong International Arbitration Centre (the "HKIAC"). There shall be three arbitrators. The complainant and the respondent to such dispute shall each select one arbitrator within thirty (30) days after giving or receiving the demand for arbitration. Such arbitrators shall be freely selected, and the Parties shall not be limited in their selection to any prescribed list. The Chairman of the HKIAC shall select the third arbitrator, who shall be qualified to practice Law in Hong Kong. If either party to the arbitration does not appoint an arbitrator who has consented to participate within thirty (30) days after selection of the first arbitrator, the relevant appointment shall be made by the Chairman of the HKIAC.

- (c) The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the Arbitration Rules of the HKIAC in effect at the time of the arbitration. However, if such rules are in conflict with the provisions of this Section 8.12, including the provisions concerning the appointment of arbitrators, the provisions of this Section 8.12 shall prevail.
- (d) The arbitrators shall decide any dispute submitted by the parties to the arbitration strictly in accordance with the substantive Law of Hong Kong and shall not apply any other substantive law.
- (e) Each Party hereto shall cooperate with any party to the dispute in making full disclosure of and providing complete access to all information and documents requested by such party in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on the Party receiving the request.

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- (f) The award of the arbitration tribunal shall be final and binding upon the disputing parties, and any party to the dispute may apply to a court of competent jurisdiction for enforcement of such award.
  - (g) Any party to the dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

8.13 Delays or Omissions.

No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

8.14 Conflict with Articles.

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Articles or other constitutional documents, the terms of this Agreement shall prevail as between the shareholders of the Company only. The Investors and the Existing Shareholder shall, notwithstanding the conflict or inconsistency, act so as to effect the intent of this Agreement to the greatest extent possible under the circumstances and shall promptly amend the conflicting constitutional documents to conform to this Agreement to the greatest extent possible.

8.15 Waiver.

The Company acknowledges that Intel will likely have, from time to time, information that may be of interest to the Company or its Subsidiaries or Affiliates (“**Information**”) regarding a wide variety of matters including, by way of example only, (i) Intel’s technologies, plans and services, and plans and strategies relating thereto, (ii) current and future investments Intel has made, may make, may consider or may become aware of with respect to other companies and other technologies, products and services, including, without limitation, technologies and services that may be competitive with those of the Company or its Subsidiaries or Affiliates, and (iii) developments with respect to the technologies, products and services, and plans and strategies relating thereto, of other companies, including, without limitation, companies that may be competitive with the Company or any of its Subsidiaries or Affiliates. The Company recognizes that a portion of such Information may be of interest to the Company or any of its Subsidiaries or Affiliates. Such Information may or may not be known by the Intel Observer. The Company, as a material part of the consideration for this Agreement, agrees that the Intel Observer

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and Intel shall have no duty to disclose any Information to the Company or its Subsidiaries or Affiliates, or permit the Company or any of its Subsidiaries or Affiliates to participate in any projects or investments based on any Information, or to otherwise take advantage of any opportunity that may be of interest to the Company or any of its Subsidiaries or Affiliates if it were aware of such Information, and hereby waives, to the extent permitted by Law, any claim based on the corporate opportunity doctrine or otherwise that could limit Intel’s ability to pursue opportunities based on such Information or that would require Intel, any Intel’s representative or the Intel Observer to disclose any such Information to the Company or any of its Subsidiaries or Affiliates or offer any opportunity relating thereto to the Company or any of its Subsidiaries or Affiliates.

8.16 Use of “Intel” Name or Logo.

Without the prior written consent of Intel, and whether or not Intel is then a shareholder of the Company, neither the Group Company nor any other Shareholder shall use, publish or reproduce the name “Intel” or any similar name, trademark or logo in any of their marketing, advertising or promotion materials or otherwise for any marketing, advertising or promotional purposes.

*[Remainder of Page Intentionally Left Blank]*

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.



COMPANY:

PHOENIX NEW MEDIA LIMITED

By: /s/ Keung Chui  
Name: Keung Chui  
Capacity: Director

BVI CO

PHOENIX SATELLITE TELEVISION INFORMATION LIMITED

By: /s/ Keung Chui  
Name: Keung Chui  
Capacity: Director

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

DOMESTIC COMPANIES

BEIJING TIANYING JIUZHOU NETWORK TECHNOLOGY CO., LTD.  
北京天映九州网络技术公司

By: /s/ Ming Chen  
Name: Ming Chen  
Capacity:

YIFENG LIANHE (BEIJING) TECHNOLOGY CO., LTD  
易丰联合(北京)技术有限公司

By: /s/ Ming Chen  
Name: Ming Chen  
Capacity:

WFOE

FENGHUANG ON-LINE (BEIJING) INFORMATION TECHNOLOGY CO., LTD.  
凤凰卫视网络(北京)信息技术有限公司

By: /s/ Shuang Liu  
Name: Shuang Liu  
Capacity: Director

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

EXISTING SHAREHOLDER

For and on behalf of  
鳳凰衛視控股有限公司  
PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

/s/ Jiyan Wang  
Authorized Signature(s)

By: /s/ Jiyan Wang  
Name: Jiyan Wang

For and on behalf of  
PHOENIX SATELLITE TELEVISION (B.VI.)HOLDING LIMITED  
鳳凰衛視集團有限公司

/s/ Keung Chui  
Authorised Signature(s)

By: /s/ Keung Chui  
Name: Keung Chui

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

**COMPANY:**

(on behalf of each of the following individual shareholders as set forth below)

PHOENIX NEW MEDIA LIMITED

By: /s/ Keung Chui  
Name: Keung Chui  
Capacity: Director

Shareholder	PRC ID Number	Shareholder	PRC ID Number
KOU Zhipeng (张智鹏)	150203197408010056	HUANG Rui (黄锐)	350102198105022834
LAN Bo (兰波)	422802197809060031	XIA Minghua (夏明华)	342622196508114059
WANG Cheng (王成)	321027197606105710	ZHANG Wei (张伟)	220521198204067423
LIU Dan (刘丹)	110103198208020665	XU Xueling (徐雪玲)	431081197812070823
KE Wenxing (柯文兴)	450203198402271058	ZHANG Xueqin (张雪琴)	230502198405191546
XU Xinxin (徐鑫鑫)	410423198302259018	CHEN Tao (陈涛)	110111198011288238
WU Zhaohui (吴兆辉)	372925198110206914	ZHANG Jiantao (张健涛)	410482760307105
HAN Xu (韩旭)	110108198103126836	YANG Guang (杨光)	11010519781106007X
ZHOU Xiaolei (周晓磊)	110105198107048610	SHU Yan (舒彦)	530102198211153727
SUN Yanna (孙彦娜)	150204198502010029	WU Le (吴乐)	513001197712250632

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

INVESTORS: MORNINGSIDE CHINA TMT FUND I, L.P., )  
a Cayman Islands exempted limited partnership )  
) )  
By: )  
MORNINGSIDE CHINA TMT, GP, L.P., )  
a Cayman Islands exempted limited partnership, )  
its general partner )  
) )  
By: )  
TMT GENERAL PARTNER LTD., )  
a Cayman Islands limited company, )  
its general partner )  
) )  
in on )  
) )  
/s/ Raymond Tang )  
Director/Authorised Signatory )  
)

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

INVESTORS: MORNINGSIDE CHINA TMT FUND I, L.P., )  
a Cayman Islands exempted limited partnership )  
) )  
By: )  
MORNINGSIDE CHINA TMT, GP, L.P., )  
a Cayman Islands exempted limited partnership, )  
its general partner )  
) )  
By: )  
TMT GENERAL PARTNER LTD., )  
a Cayman Islands limited company, )  
its general partner )  
) )  
in on )  
) )  
/s/ Jianming Shi )  
Director/Authorised Signatory )  
)

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

INVESTORS:

INTEL CAPITAL CORPORATION

By : /s/ Michael J Scown

Name : Michael J Scown

Title : Authorised Signatory



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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

INVESTORS:

SIGNED for and on behalf of  
BERTELSMANN ASIA INVESTMENTS AG

By : /s/ Erich Kalt

Name : Erich Kalt

Title : Authorized Signatory

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### SCHEDULE 1

#### LIST OF INVESTORS

Morningside China TMT Fund I, L.P.  
Intel Capital Corporation  
Bertelsmann Asia Investments AG

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### SCHEDULE 2A

#### LIST OF EXISTING SHAREHOLDER

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED  
PHOENIX SATELLITE TELEVISION (B.V.I.) HOLDING LIMITED

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### SCHEDULE 3

#### NOTICES

Company

Address:

No. 2-6 Dai King Street  
Tai Po Industrial Estate  
Tai Po, N.T., Hong Kong

Fax: 852 2200 8899

WFOE

Address:

16F, Fusheng Building, Tower 2,  
No. 4, Huixing Dong Jie,  
Caoyang District, Beijing, 100029

Fax: 86 10 84458002

**Tian Ying**

Address:

16F, Fusheng Building, Tower 2,  
No. 4, Huixing Dong Jie,  
Caoyang District, Beijing, 100029  
Fax: 86 10 84458002

**Existing Shareholder**

Address:

No. 2-6 Dai King Street  
Tai Po Industrial Estate  
Tai Po, N.T., Hong Kong  
  
Fax: 852 2200 8899

**BVI Co**

No. 2-6 Dai King Street  
Tai Po Industrial Estate  
Tai Po, N.T., Hong Kong  
  
Fax: 852 2200 8899

**Yi Feng**

Address:

16F, Fusheng Building, Tower 2,  
No. 4, Huixing Dong Jie,  
Caoyang District, Beijing, 100029  
Fax: 86 10 84458002

**Investors**

**Morningside China TMT Fund I, L.P.**

Address:

c/o 22/F, Hang Lung Centre,  
2-20, Paterson Street,  
Causeway Bay, Hong Kong  
  
Fax: +852 2577 3509

**Investors**

**Intel Capital Corporation**

Address:

Intel Capital Corporation  
c/o Intel Semiconductor Ltd.  
32/F, Two Pacific Place  
88 Queensway, Central  
Hong Kong  
Attn: APAC Portfolio Management

1

Fax: +852 2240 3775

With an electronic copy to the following  
email address:  
APACportfolio@intel.com

**Investors**

**Bertelsmann Asia Investments AG**

Address: Unit 2804-2805, SK Tower, 6A  
Jianguomenwai Avenue  
Chaoyang District,  
Beijing 100022, P.R. China  
Attn: Yu, Long (龙宇)  
Fax No.: (8610) 6563-0376

CC: Martin Dannhoff  
Address: Bertelsmann AG,  
Carl-Bertelsmann  
Straße 270, 33311 Gütersloh  
Fax No.: +49 (0) 52 41-80-9324

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**EXHIBIT A**

**DEFINITIONS**

For purposes of this Agreement, capitalized terms shall have the meanings set forth in this Exhibit A.

1. The term “**Additional Ordinary Shares**” means all Ordinary Shares or Ordinary Share Equivalents issued by the Company after the date hereof; provided that the term “Additional Ordinary Shares” does not include (i) Ordinary Shares issued or issuable under the Share Plan; (ii) Ordinary Shares issued or issuable in connection with any share split, share dividend, combination, recapitalization or other similar transaction of the Company; (iii) Ordinary Shares issued or issuable upon conversion or exercise of the Preferred Shares; (iv) Ordinary Shares issued in connection with a bona fide

business acquisition by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, as unanimously approved by the Board; and (v) Ordinary Shares issued to one or more strategic corporate partners, as unanimously approved by the Board.

2. The term **"Affiliate"** means, with respect to any individual, corporation, partnership, association, trust, or any other entity (in each case, a **"Person"**), any Person which, directly or indirectly, controls, is controlled by or is under common control with such Person, including, without limitation any general partner, officer or director of such Person and any venture capital fund now or hereafter existing which is controlled by or under common control with one or more general partners or shares the same management company with such Person.
3. The term **"Agreement"** has the meaning ascribed to such term in the Preamble to this Agreement.
4. The term **"Articles"** means the Company's Amended and Restated Memorandum and Articles of Association, as amended from time to time.
5. **"Bertelsmann"** means Bertelsmann Asia Investments AG, including its respective successors and permitted assigns.
6. The term **"Board"** means the Company's Board of Directors.
7. The term **"Budget"** has the meaning ascribed to such term in Section 3.1(d).
8. The term **"Business Day"** means any day, other than a Saturday, Sunday or other day on which the commercial banks in Beijing and Hong Kong are authorized or required to be closed for the conduct of regular banking business.
9. The term **"Business Principles"** has the meaning ascribed to such term in Section 7.4.
10. The term **"CFC"** has the meaning ascribed to such term in Section 3.3(c).

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11. The term **"Closing"** means the closing of the sale and purchase of the Preferred Shares in accordance with the Purchase Agreement.
12. The term **"Code"** has the meaning ascribed to such term in Section 3.3(a).
13. The term **"Company"** shall mean PHOENIX NEW MEDIA LIMITED, an exempted company duly incorporated and validly existing in the Cayman Islands.
14. The term **"Confirmation Notice"** has the meaning ascribed to such term in Section 6.2(c).
15. The term **"Conversion Shares"** means Ordinary Shares issued or issuable upon conversion of any Preferred Shares.
16. The term **"Co-Sale Eligible Holder"** has the meaning ascribed to such term in Section 6.3(a).
17. The term **"Co-Sale Eligible Shares"** has the meaning ascribed to such term in Section 6.3(a).
18. The term **"Co-Sale Closing"** has the meaning ascribed to such term in Section 6.3(c).
19. The term **"Co-Sale Period"** has the meaning ascribed to such term in Section 6.3(a).
20. The term **"Domestic Companies"** has the meaning ascribed to such term in the preamble to this Agreement.
21. The term **"Domestic Company"** has the meaning ascribed to such term in the preamble to this Agreement.
22. The term **"Eligible Holder"** has the meaning ascribed to such term in Section 6.2(a).
23. The term **"Exchange Act"** means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, or any comparable law of any other jurisdiction in which the Company's Shares are subject to regulation.
24. The term **"Exercising Eligible Holder"** has the meaning ascribed to such term in Section 6.2(c).
25. The term **"Existing Shareholder"** has the meaning ascribed to such term in the Preamble to this Agreement.
26. The term **"Form S-3"** or **"Form F-3"** means such form under the Securities Act as in effect on the date hereof (including Form S-3 or Form F-3, as appropriate) or any registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

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27. The term **"Fully-Exercising Holder"** has the meaning ascribed to such term in Section 4.1(b).
28. The term **"GAAP"** means the generally accepted accounting principles.
29. The term **"Group Companies"** means the Company, the BVI Co, the WFOE, (and as from the date on which the Control Documents take effect, but not before) each of the Domestic Companies and any other direct or indirect Subsidiary of a Group Company collectively, and the Group Company

means any one of them. Notwithstanding the foregoing, Group Companies shall not include PHOENIXi Investment Limited, PHOENIXi INC and Guofeng On-line (Beijing) Information Technology Co., Ltd. (国风在线(北京)信息技术有限公司).

30. The term “**HKIAC**” has the meaning ascribed to such term in [Section 8.12\(b\)](#).
31. The term “**Holder**” means, for purposes of [Exhibit B](#), any person owning or having the rights to acquire Registrable Securities or any permitted assignee of record of such Registrable Securities to whom rights under [Exhibit B](#) have been duly assigned in accordance with this Agreement.
32. The term “**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC.
33. The term “**BVI Co**” has the meaning ascribed to such term in the Preamble to this Agreement.
34. The term “**Immediate Family Member**” means a child, stepchild, grandchild, parent, step-parent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a person referred to herein.
35. The term “**Initiating Holders**” means, collectively, any Holders who properly initiate a registration request under this Agreement.
36. The term “**Intel**” means Intel Capital Corporation, including its respective successors and permitted assigns.
37. The term “**Intel Director**” has the meaning ascribed to such term in [Section 5.1\(b\)](#).
38. The term “**Intel Observer**” has the meaning ascribed to such term in [Section 3.4](#).
39. The term “**Investor**” or “**Investors**” has the meaning ascribed to such term in the Preamble to this Agreement.
40. The term “**IPO**” means the Company’s first underwritten public offering of its Ordinary Shares and listing on an internationally-recognized securities exchange

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41. The term “**Liquidation Event**” has the meaning ascribed to such term the Articles.
42. The term “**Law**” means any constitutional provision, statute or other law, rule, regulation, official policy or interpretation of any Governmental Authority and any injunction, judgment, order, ruling, assessment or writ issued by any Governmental Authority.
43. The term “**Listing Rules**” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
44. The term “**Morningside**” means Morningside China TMT Fund I, L.P., including its respective successors and permitted assigns.
45. The term “**Offer Notice**” has the meaning ascribed to such term in [Section 4.1\(a\)](#).
46. The term “**Offerees**” has the meaning ascribed to such term in [Section 4.1](#).
47. The term “**on an as converted basis**” shall mean assuming the conversion, exercise and exchange of all securities, directly or indirectly, convertible, exercisable or exchangeable into or for Ordinary Shares, including without limitation the Preferred Shares.
48. The term “**Ordinary Shares**” means ordinary shares of the Company, par value US\$0.01 per share.
49. The term “**Ordinary Share Equivalents**” means warrants, options and rights exercisable for Ordinary Shares or securities convertible into or exchangeable for Ordinary Shares, including, without limitation, the Preferred Shares.
50. The term “**Parties**” shall mean the parties to this Agreement, as set forth in the Preamble.
51. The term “**Person**” means any natural person, firm, partnership, association, corporation, company, trust, public body or government.
52. The term “**PFIC**” has the meaning ascribed to such term in [Section 3.3\(a\)](#).
53. The term “**PRC**” means the People’s Republic of China, which for purposes of this Agreement excludes Hong Kong, the Macau Special Administrative Region and Taiwan.
54. The term “**Preferred Shares**” mean the Series A Preferred Shares of par value US\$0.01 per share.
55. The term “**Prohibited Transfer**” has the meaning ascribed to such term in [Section 6.5\(b\)](#).
56. The term “**Proposed Transfer**” has the meaning ascribed to such term in [Section 6.1\(a\)](#).
57. The term “**Proposed Transfer Notice**” has the meaning ascribed to such term in [Section 6.2\(a\)](#).

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58. The term “**Prospective Transferee**” means any person to whom the Existing Shareholder proposes to make a Proposed Transfer.

59. The term “**Pro-Rata ROFR Share**” has the meaning ascribed to such term in Section 6.2(b).
60. The term “**Purchase Agreement**” has the meaning ascribed to such term in Recitals.
61. The term “**QEF Election**” has the meaning ascribed to such term in Section 3.3(a).
62. The term “**Qualified IPO**” means a firm-commitment underwritten public offering and listing by the Company of its Ordinary Shares on the NASDAQ Global Select Market or the New York Stock Exchange in the United States or any other exchange in any other jurisdiction (on any combination of such exchanges and jurisdictions) acceptable to the holders of a majority of the then outstanding Preferred Shares and to the Company with aggregate offering proceeds (before deduction of fees, commissions or expenses) to the Company of greater than US\$80 million (or any cash proceeds of other currency of equivalent value) implying a valuation of no less than US\$400,000,000 immediately before such public offering, in any case, managed by a lead underwriter of international reputation.
63. The term “**Refused Securities**” has the meaning ascribed to such term in Section 4.1(c).
64. The term “**register**,” “**registered**,” and “**registration**” refer to a registration effected by preparing and filing a registration statement which is in a form which complies with, and is declared effective by the SEC in accordance with, the Securities Act.
65. The term “**Registrable Securities**” means: (1) any Ordinary Shares of the Company issued or issuable pursuant to conversion of any Preferred Shares, (2) any Ordinary Shares of the Company issued (or issuable upon the conversion or exercise of any warrant, right or other security which is issued) as a dividend or other distribution with respect to, or in exchange for or in replacement of, any Preferred Shares, and (3) any other Ordinary Shares owned or hereafter acquired by an Investor. Notwithstanding the foregoing, “Registrable Securities” shall exclude any Registrable Securities sold by a person in a transaction in which rights under Exhibit B are not assigned in accordance with this Agreement and any Registrable Securities which are sold in a registered public offering under the Securities Act or analogous statute of another jurisdiction, or sold pursuant to Rule 144 promulgated under the Securities Act or analogous rule of another jurisdiction..
66. The term “**Registrable Securities then Outstanding**” means the number of Ordinary Shares of the Company that are Registrable Securities and are then issued and outstanding, issuable upon conversion of Preferred Shares then issued and outstanding or issuable upon conversion or exercise of any warrant, right or other security then outstanding.

67. The term “**Registration Expenses**” shall mean all expenses incurred by the Company in complying with Sections 2, 3 and 4 of Exhibit B, including, without limitation, all registration and filing fees, printing expenses, fees, and disbursements of counsel for the Company, reasonable fees and disbursements of one (1) counsel for the Holders, “blue sky” fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).
68. The term “**Restricted Shareholder**” has the meaning ascribed to such term in Section 6.1(b).
69. The term “**Right of Co-Sale**” means the right, but not an obligation, of each Investor to participate in a proposed Transfer on the terms and conditions specified in the Proposed Transfer Notice.
70. The term “**Right of First Refusal**” has the meaning ascribed to such term in Section 6.2(b).
71. The term “**ROFR Exercise Period**” has the meaning ascribed to such term in Section 6.2(b).
72. The term “**SEC**” means the United States Securities and Exchange Commission, or comparable regulatory authority in any other jurisdiction having oversight over the trading of the Company’s Shares.
73. The term “**SEC Rule 144**” means Rule 144 promulgated by the SEC under the Securities Act (or comparable law in a jurisdiction other than the United States).
74. The term “**SEC Rule 144(k)**” means Rule 144(k) promulgated by the SEC under the Securities Act (or comparable law in a jurisdiction other than the United States).
75. The term “**SEC Rule 145**” means Rule 145 promulgated by the SEC under the Securities Act (or comparable law in a jurisdiction other than the United States).
76. The term “**Securities Act**” means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, (or comparable law in a jurisdiction other than the United States).
77. The term “**Selling Expenses**” shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to Sections 2, 3 and 4 of Exhibit B.
78. The term “**Selling Shareholder**” has the meaning ascribed to such term in Section 5.4(b).
79. The term “**Series A Director**” has the meaning ascribed to such term in Section 5.1(a).
80. The term “**Share Plan**” has the meaning ascribed to such term in the Purchase Agreement.

81. The term “**Shareholder**” shall mean each of the Existing Shareholder and the Investors.
82. The term “**Shares**” means (i) Ordinary Shares (whether now outstanding or hereafter issued in any context), (ii) Ordinary Shares issued or issuable upon conversion of the Preferred Shares and (iii) Ordinary Shares issued or issuable upon exercise or conversion, as applicable, of share options, warrants or other convertible securities of the Company, in each case now owned or subsequently acquired by the Existing Shareholder, any Investor, or their respective successors or permitted transferees or assigns.
83. The term “**Subsidiary**” or “**subsidiary**” means, as of the relevant date of determination, with respect to any Person (the “subject entity”), (i) any Person (x) more than 50% of whose shares or other interests entitled to vote in the election of directors or (y) more than a fifty percent (50%) interest in the profits or capital of such Person are owned or controlled directly or indirectly by the subject entity or through one (1) or more Subsidiaries of the subject entity, (ii) any Person whose assets, or portions thereof, are consolidated with the net earnings of the subject entity and are recorded on the books of the subject entity for financial reporting purposes in accordance with the financial reporting standards adopted by the subject entity, or (iii) any Person with respect to which the subject entity has the power to otherwise direct the business and policies of that entity directly or indirectly through another subsidiary. For the avoidance of doubt, the Subsidiaries of the Company shall include the Group Companies.
84. The term “**Transfer**” has the meaning ascribed to such term in Section 6.1.
85. The term “**Transfer Shares**” has the meaning ascribed to such term in Section 6.2(a).
86. The term “**Transferor**” has the meaning ascribed to such term in Section 6.2(a).
87. The term “**Undersubscription Notice**” has the meaning ascribed to such term in Section 6.2(c).
88. The term “**Undersubscription Exercise Period**” has the meaning ascribed to such term in Section 6.2(c).
89. The term “**United States Person**” means any person described in Section 7701(a)(30) of the Code.
90. The term “**US\$**” means the United States dollar, the lawful currency of the United States of America.
91. The term “**U.S. Investor**” means (A) any Investor that is a United States Person and (B) any Investor, one or more of the owners of which are, or controlled by, United States persons.
92. The term “**Violation**” means losses, claims, damages, or liabilities (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act or

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other applicable laws of the United States or other relevant jurisdictions, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations: (i) any untrue statement or alleged untrue statement of a material fact contained in a registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by any other party hereto, of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act, any state securities law, or other applicable laws of the United States or other relevant jurisdictions.

93. The term “**WFOE**” has the meaning ascribed to such term in the preamble to this Agreement.

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## **EXHIBIT B**

### **REGISTRATION RIGHTS**

#### **1. Applicability of Rights; Non-U.S. Registrations.**

- 1.1 The Holders (as defined below) shall be entitled to the following rights with respect to any potential public offering of the Company’s Ordinary Shares in the United States and shall be entitled to reasonably analogous or equivalent rights with respect to any other offering of Company securities in any other jurisdiction pursuant to which the Company undertakes to publicly offer or list such securities for trading on a recognized securities exchange.
- 1.2 For purposes of this Agreement and Exhibit B, reference to registration of securities under the Securities Act and the Exchange Act shall be deemed to mean the equivalent registration in a jurisdiction other than the United States as designated by such Holders, it being understood and agreed that in each such case all references in this Agreement to the Securities Act, the Exchange Act and rules, forms of registration statements and registration of securities thereunder, U.S. law and the SEC, shall be deemed to refer, to the equivalent statutes, rules, forms of registration statements, registration of securities and laws of and equivalent government authority in the applicable non-U.S. jurisdiction.

#### **2. Demand Registration.**

- 2.1 Request by Holders.



If the Company shall, at any time after the earlier of (i) two (2) years after the Closing or (ii) six (6) months following the effectiveness of a registration statement for a IPO, receive a written request from the Holders of at least twenty five percent (25%) of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act covering the registration of all or any portion of Registrable Securities pursuant to this Section 2.1, then the Company shall, within ten (10) Business Days of the receipt of such written request, give written notice of such request (the “**Request Notice**”) to all Holders, and use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all such Registrable Securities that the Holders request to be registered, and included in such registration by written notice given by such Holders to the Company within twenty (20) days after receipt of the Request Notice, subject only to the limitations of this Section 2.1; provided that the Company shall not be obligated to effect any such registration if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act pursuant to this Section 2 or Section 4 or in which the Holders had an opportunity to participate pursuant to the provisions of Section 3, other than a registration from which the Registrable Securities of the Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Sections 2.2(b) or 3.2(b).

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## 2.2 Underwriting.

- (a) If the Holders initiating the registration request under this Section 2 (the “**Initiating Holders**”) intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their request made pursuant to this Section 2 and the Company shall include such information in the Request Notice. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting by the Holders of a majority of the Registrable Securities being registered and reasonably acceptable to the Company. For purposes of any registration of Registrable Securities pursuant to this Section 2, it is expressly agreed that a Holder requesting the inclusion of its Shares in such registration shall only be required to provide customary representations and warranties to the effect that such Holder owns the Registrable Securities sought to be included in such registration free and clear of any liens, encumbrances or other restrictions on transfer. For avoidance of doubt and without limitation to the foregoing, no Holder shall be required to provide any representations and warranties with respect to the Company or its business.
- (b) Notwithstanding any other provision of this Section 2, if the underwriter(s) advise(s) the Company in writing that marketing factors require a limitation of the number of securities to be underwritten then the Company shall so advise all Holders of Registrable Securities which would otherwise be registered and underwritten hereto, and the number of Registrable Securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated (x) first, to the Investors on a pro rata basis according to the number of Registrable Securities then outstanding held by each Investor requesting registration and (y) then, to the other Holders of Registrable Securities on a pro rata basis according to the number of Registrable Securities then outstanding held by each such Holder requesting registration; provided, however, that the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities are first entirely excluded from the underwriting and registration including, without limitation, all shares that are not Registrable Securities and are held by any other person, including, without limitation, any person who is an employee, officer or director of the Company or any subsidiary of the Company. If any Holder disapproves of the terms of

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any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

## 2.3 Maximum Number of Demand Registrations.

The Company shall not be obligated to effect more than three (3) such registrations pursuant to this Section 2.

## 2.4 Deferral.

Notwithstanding the foregoing, if the Company shall furnish to Holders requesting registration pursuant to this Section 2, a certificate signed by the president or chief executive officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such registration statement to be filed at such time, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period; provided further, that the Company shall not register any other of its shares during such twelve (12) month period. A demand right shall not be deemed to have been exercised until such deferred registration shall have been effected.

## 3. Piggyback Registrations.

- 3.1 The Company shall notify all Holders of Registrable Securities in writing at least thirty (30) days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any registration under Section 2 or Section 3 of this Agreement or to any employee benefit plan or a corporate reorganization) and shall afford each such Holder an opportunity to include in such registration statement all or any part of the Registrable Securities then held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall within twenty (20) days after receipt of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities such Holder wishes to include in such registration statement. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent

3.2 Underwriting.

- (a) If a registration statement under which the Company gives notice under this Section 3 is for an underwritten offering, then the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder's Registrable Securities to be included in a registration pursuant to this Section 3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting. For purposes of any registration of Registrable Securities pursuant to this Section 3, it is expressly agreed that a Holder requesting the inclusion of its Shares in such registration shall only be required to provide customary representations and warranties to the effect that such Holder owns the Registrable Securities sought to be included in such registration free and clear of any liens, encumbrances or other restrictions on transfer. For avoidance of doubt and without limitation to the foregoing, no Holder shall be required to provide any representations and warranties with respect to the Company or its business.
- (b) Notwithstanding any other provision of this Agreement, if the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter(s) may exclude shares from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated, first, to the Company, second, to each of the Investors requesting inclusion of their Registrable Securities in such registration statement on a pro rata basis based on the total number of shares of Registrable Securities then held by each such Investor, third, to the other Holders requesting inclusion of their Registrable Securities in such registration statement on a pro rata basis based on the total number of shares of Registrable Securities then held by each such Holder and fourth, to holders of other securities of the Company; provided, however, that the right of the underwriter(s) to exclude shares (including Registrable Securities) from the registration and underwriting as described above shall be restricted so that (i) the number of Registrable Securities included in any such registration is not reduced below thirty percent (30%) of the aggregate number of shares of Registrable Securities for which inclusion has been requested; and (ii) all shares that are not Registrable Securities and are held by any other person, including, without limitation, any person who is an employee, officer or director of the Company (or any subsidiary of the Company) shall first be excluded from such registration and underwriting before any Registrable Securities are so excluded, unless otherwise approved by the holders of a majority of the Registrable Securities. If any Holder

disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

3.3 Not Demand Registration.

Registration pursuant to this Section 3 shall not be deemed to be a demand registration as described in Section 2 above. There shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 3.

4. Form F-3 Registration.

In case the Company shall receive from any Holder or Holders of at least twenty five (25%) of all Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form F-3 (or an equivalent registration in a jurisdiction outside of the United States) and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, then the Company will:

4.1 Notice.

Promptly give written notice of the proposed registration and the Holder's or Holders' request therefor, and any related qualification or compliance, to all other Holders of Registrable Securities.

4.2 Registration.

As soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within twenty (20) days after the Company provides the notice contemplated by Section 4.1; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 4:

- (a) if Form F-3 is not available for such offering by the Holders;
- (b) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than US\$1,000,000;
- (c) if the Company shall furnish to the Holders a certificate signed by the president or chief executive officer of the Company stating that in the

good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such Form F-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form F-3 registration statement no more than once during any twelve (12) month period for a period of not more than sixty (60) days after receipt of the request of the Holder or Holders under this Section 4; provided that the Company shall not register any of its other shares during such sixty (60) day period.

- (d) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations under the Securities Act other than a registration from which the Registrable Securities of Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Sections 2.2 and 3.2; or
- (e) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

#### 4.3 Not a Demand Registration.

Form F-3 registrations shall not be deemed to be demand registrations as described in Section 2 above. Except as otherwise provided herein, there shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 4.

#### 4.4 Underwriting.

If the Holders of Registrable Securities requesting registration under this Section 4 intend to distribute the Registrable Securities covered by their request by means of an underwriting, the provisions of Section 2.2 shall apply to such registration.

#### 5. Expenses.

All Registration Expenses incurred in connection with any registration pursuant to Sections 2, 3 or 4 (but excluding Selling Expenses) shall be borne by the Company. Each Holder participating in a registration pursuant to Sections 2, 3 or 4 shall bear such Holder's proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all Selling Expenses or other amounts payable to underwriter(s) or brokers, in connection with such offering by the Holders. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered, unless the Holders of a majority of the Registrable Securities then outstanding agree that such registration constitutes the use by the Holders of one (1) demand registration

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pursuant to Section 2 (in which case such registration shall also constitute the use by all Holders of Registrable Securities of one (1) such demand registration); provided further, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company not known to the Holders at the time of their request for such registration and have withdrawn their request for registration with reasonable promptness after learning of such material adverse change, then the Holders shall not be required to pay any of such expenses and such registration shall not constitute the use of a demand registration pursuant to Section 2.

#### 6. Obligations of the Company.

Whenever required to effect the registration of any Registrable Securities under this Agreement the Company shall, as expeditiously as reasonably possible:

##### 6.1 Registration Statement.

Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to ninety (90) days or, in the case of Registrable Securities registered under Form F-3 in accordance with Rule 415 under the Securities Act or a successor rule, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such ninety (90) day period shall be extended for a period of time equal to the period any Holder refrains from selling any securities included in such registration at the request of the underwriter(s), and (ii) in the case of any registration of Registrable Securities on Form F-3 which are intended to be offered on a continuous or delayed basis, such ninety (90) day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold.

##### 6.2 Amendments and Supplements.

Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

##### 6.3 Prospectuses.

Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

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6.4 Blue Sky.

Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.

6.5 Underwriting.

In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in usual and customary form, with the managing underwriter(s) of such offering.

6.6 Notification.

Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of (i) the issuance of any stop order by the SEC in respect of such registration statement, or (ii) the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

6.7 Opinion and Comfort Letter.

Furnish, at the request of any Holder requesting registration of Registrable Securities, on the date that such Registrable Securities are delivered to the underwriter(s) for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and (ii) letters dated as of (x) the effective date of the registration statement covering such Registrable Securities and (y) the closing date of the offering from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

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7. **Furnish Information.**

It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2, 3 or 4 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to timely effect the Registration of their Registrable Securities.

8. **Indemnification.**

In the event any Registrable Securities are included in a registration statement under Sections 2, 3 or 4:

8.1 By the Company.

To the extent permitted by law, the Company will indemnify and hold harmless each Holder, its partners, officers, directors, legal counsel, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other United States federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “**Violation**”):

- (a) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;
- (b) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or
- (c) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any United States federal or state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any United States federal or state securities law in connection with the offering covered by such registration statement;

and the Company will reimburse each such Holder, its partner, officer, director, legal counsel, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 8.1 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in

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reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder or any partner, officer, director, counsel, underwriter or controlling person of such Holder.

## 8.2 By Selling Holders.

To the extent permitted by law, each selling Holder will, if Registrable Securities held by Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors, officers, legal counsel or any person who controls such Holder within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling person, underwriter or other such Holder, partner or director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other United States federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 8.2 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further, that in no event shall any indemnity under this Section 8.2 exceed the net proceeds received by such Holder in the registered offering out of which the applicable Violation arises.

## 8.3 Notice.

Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnified party under this Section 8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the

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indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of liability to the indemnified party under this Section 8 to the extent the indemnifying party is prejudiced as a result thereof, but the omission to so deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 8.

## 8.4 Contribution.

In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any indemnified party makes a claim for indemnification pursuant to this Section 8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any indemnified party in circumstances for which indemnification is provided under this Section 8; then, and in each such case, the indemnified party and the indemnifying party will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that a Holder (together with its related persons) is responsible for the portion represented by the percentage that the public offering price of its Registrable Securities offered by and sold under the registration statement bears to the public offering price of all securities offered by and sold under such registration statement, and the Company and other selling Holders are responsible for the remaining portion. The relative fault of the indemnifying Party and of the indemnified Party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying Party or by the indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case: (A) no Holder will be required to contribute any amount in excess of the net proceeds to such Holder from the sale of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement; and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

## 8.5 Survival.

The obligations of the Company and Holders under this Section 8 shall survive the completion of any offering of Registrable Securities in a registration statement, regardless of the expiration of any statutes of limitation or extensions of such statutes. No indemnifying party, in the defense of any such

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claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

## 9. No Registration Rights to Third Parties.

Without the prior written consent of the Holders of a majority in interest of the Registrable Securities then outstanding, the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any person or entity any registration rights of any kind (whether similar to the demand, "piggyback" or Form F-3 registration rights described in this Exhibit B, or otherwise) relating to any securities of the Company which are senior to, or on a parity with, those granted to the Holders of Registrable Securities.

**10. Rule 144 Reporting.**

With a view to making available the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the Registrable Securities to the public without registration or pursuant to a registration on Form F-3, after such time as a public market exists for the Ordinary Shares, the Company agrees to:

- 10.1 Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public;
- 10.2 File with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); and
- 10.3 So long as a Holder owns any Registrable Securities, to furnish to such Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the Company's IPO), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or its qualification as a registrant whose securities may be resold pursuant to Form F-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company, and (iii) such other reports and documents of the Company as a Holder may reasonably request in availing itself of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to Form F-3.

**11. Market Stand-Off.**

Each Shareholder agrees that, so long as it holds any voting securities of the Company, upon request by the Company or the underwriters managing the IPO of the Company's securities, it will not sell or otherwise transfer or

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dispose of any securities of the Company (other than those permitted to be included in the registration and other transfers to Affiliates permitted by law) without the prior written consent of the Company or such underwriters, as the case may be, for a period of time specified by the representative of the underwriters not to exceed one hundred and eighty (180) days from the effective date of the registration statement covering such IPO or the pricing date of such offering as may be requested by the underwriters. The foregoing provision of this Section 11 shall not apply to the sale of any securities of the Company to an underwriter pursuant to any underwriting agreement, and shall only be applicable to the Holders if all officers, directors and holders of one percent (1%) or more of the Company's outstanding share capital enter into similar agreements, and if the Company or any underwriter releases any officer, director or holder of one percent (1%) or more of the Company's outstanding share capital from his or her sale restrictions so undertaken, then each Holder shall be notified prior to such release and shall itself be simultaneously released to the same proportional extent. The Company shall require all future acquirers of the Company's securities holding at least one percent (1%) of the then outstanding share capital of the Company to execute prior to the IPO a market stand-off agreement containing substantially similar provisions as those contained in this Section 11.

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**EXHIBIT C**

**FORM OF ASSUMPTION AGREEMENT**

THIS ASSUMPTION AGREEMENT is made the \_\_\_\_\_ day of \_\_\_\_\_, by and between PHOENIX NEW MEDIA LIMITED (the "**Company**"); and (the "**New Investor**"><"**New Key Holder**">).

The Company and the New Investor shall be referred to collectively as the Parties.

**WHEREAS**

- (A) As of \_\_\_\_\_, 2009, the Company, certain existing shareholders of the Company and certain other parties entered into a Shareholders' Agreement (the "**Shareholders Agreement**"), attached hereto as Exhibit A.
- (B) The <New Investor><New Key Holder> wishes to acquire an aggregate of \_\_\_\_\_ <Ordinary Shares> <Preferred Shares> (as defined in the Shareholders Agreement) in the capital of the Company and in accordance with the Shareholders Agreement has agreed to enter into this Assumption Agreement (the "**Assumption Agreement**").
- (C) The Company is entering into this Assumption Agreement on behalf of itself and as agent for all the existing Shareholders of the Company.

**NOW, THEREFORE**, the Parties hereby agree as follows:

**1. INTERPRETATION**

In this Assumption Agreement, except as the context may otherwise require, all words and expressions defined in the Shareholders Agreement shall have the same meanings when used herein.

**2. COVENANT**

The <New Investor><New Key Holder> hereby covenants to the Company as trustee for all other persons who are at present or who may hereafter become bound by the Shareholders Agreement, and to the Company itself, to adhere to and be bound by all the duties, burdens and obligations of a party holding <Ordinary Shares> <Preferred Shares> imposed pursuant to the provisions of the Shareholders Agreement and all documents expressed in writing to be supplemental or ancillary thereto as if the <New Investor><New Key Holder> had been an original party to the Shareholders Agreement as a <New Investor><New Key Holder> since the date thereof.

**3. ENFORCEABILITY**

Each existing Investor, Key Holder and the Company shall be entitled to enforce the Shareholders Agreement against the <New Investor><New Key

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Holder>, and the <New Investor><New Key Holder> shall be entitled to all rights and benefits of a < Investor>< Key Holder> under the Shareholders Agreement in each case as if such <New Investor><New Key Holder> had been an original party to the Shareholders Agreement since the date hereof.

**4. GOVERNING LAW**

This Assumption Agreement shall be governed by and construed under the Laws of Hong Kong, without regard to principles of conflicts of law thereunder.

**5. COUNTERPARTS**

This Assumption Agreement may be signed in any number of counterparts which together shall form one and the same agreement. This Assumption Agreement may also be executed and delivered by facsimile or other electronic signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**6. FURTHER ASSURANCE**

Each party agrees to take all such further action as may be reasonably necessary to give full effect to this Assumption Agreement on its terms and conditions.

**7. HEADINGS**

The headings used in this Assumption Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

*[Reminder of page intentionally left blank]*

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**IN WITNESS** whereof the parties have executed and delivered this Assumption Agreement on the day and year first hereinbefore mentioned.

**COMPANY:**

PHOENIX NEW MEDIA LIMITED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Capacity: \_\_\_\_\_  
Address: \_\_\_\_\_  
Fax: \_\_\_\_\_

**NEW INVESTOR:**

**NEW KEY HOLDER:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[SIGNATURE PAGE TO ASSUMPTION AGREEMENT]

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21 April 2011

Matter No.:875232  
Doc Ref: 360061

Phoenix New Media Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman KY1-1111  
Cayman Islands

Dear Sirs,

**Phoenix New Media Limited (the "Company")  
Initial Public Offering**

We have acted as special legal counsel in the Cayman Islands to the Company in connection with the initial public offering (the "**Offering**") in the United States of America of class A ordinary shares, par value US\$0.01 each, of the Company ("**Shares**") in the form of American Depositary Shares ("**ADSs**") by the Company as described in the Registration Statement (defined below).

For the purposes of giving this opinion, we have examined copies of (i) the Company's Registration Statement on Form F-1 proposed to be filed with the Securities and Exchange Commission in the United States ("**SEC**") on 21 April 2011 (the "**Registration Statement**"); (ii) the current amended and restated memorandum and articles of association of the Company, as adopted by the Company on 24 November 2009, (iii) the second amended and restated memorandum and articles of association of the Company to be adopted by the members of the Company and which shall become effective conditional and immediately prior to consummation of the offering of Shares, (iv) a copy of the written resolutions of all of the directors of the Company dated 14 April 2011, (v) a copy of the written resolutions of the shareholders of the Company passed on 21 April 2011 (together, the "**Resolutions**"), (vi) a copy of a certificate of good standing dated 14 April 2011 (the "**Certificate Date**") issued by the Cayman Islands Registrar of Companies and such other documents and made such enquiries as to questions of law as we have deemed necessary in order to render the opinion set forth below.

We have assumed (a) the genuineness and authenticity of all signatures and the conformity to the originals of all copies (whether or not certified) examined by us and the authenticity and completeness of the originals from which such copies were taken,

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(b) the accuracy and completeness of all factual representations made in the Registration Statement and other documents reviewed by us, (c) that the resolutions contained in the Resolutions were passed at one or more duly convened, constituted and quorate meetings, or by unanimous written resolutions, remain in full force and effect and have not been rescinded or amended, (d) that the second amended and restated memorandum and articles of association of the Company shall become effective immediately prior to consummation of the offering of the Shares, (e) that upon issue of any Shares to be sold by the Company the Company will receive consideration for the full issue price thereof which shall be equal to at least the par value thereof, and (f) the validity and binding effect under the laws of the United States of America of the Registration Statement and that the Registration Statement will be duly filed with and declared effective by the Commission.

We have made no investigation of and express no opinion in relation to the laws of any jurisdiction other than the Cayman Islands. This opinion is to be governed by and construed in accordance with the laws of the Cayman Islands and is limited to and is given on the basis of the current law and practice in the Cayman Islands. This opinion is issued solely for the purposes of the filing of the Registration Statement and the offering of the Ordinary Shares in the form of ADS by the Company and is not to be relied upon in respect of any other matter.

On the basis of and subject to the foregoing, we are of the opinion that:

1. As at the Certificate Date, the Company is duly incorporated and existing under the laws of the Cayman Islands in good standing (meaning solely that it has not failed to make any filing with any the Cayman Islands government authority or to pay any Cayman Islands government fees or tax which would make it liable to be struck off the Register of Companies and thereby cease to exist under the laws of the Cayman Islands).
2. When issued and paid for as contemplated by the Registration Statement, the Shares will be validly issued, fully paid and non-assessable (which term means when used herein that no further sums are required to be paid by the holders thereof in connection with the issue of such shares).
3. The statements relating to Cayman Islands law under the caption "Taxation — Cayman Islands Taxation" in the Prospectus are true and accurate based on current law and practice at the date of this letter and that such statements constitute our opinion.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to our firm under the captions "Enforceability of Civil

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Liabilities" and "Taxation — Cayman Islands Taxation" in the prospectus forming a part of the Registration Statement. In giving this consent, we do not hereby admit that we are experts within the meaning of Section 11 of the Securities Act or that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission promulgated thereunder.

Yours faithfully,





[ ], 2011

Phoenix New Media Limited  
Fusheng Building Tower 2, 16th Floor  
4 Hui Xin Dong Jie, Chaoyang District  
Beijing 100029  
People's Republic of China

Ladies and Gentlemen:

We have acted as United States tax counsel to Phoenix New Media Limited (the "Company"), in connection with the Registration Statement on Form F-1, including the prospectus contained therein (together, the "Registration Statement"), filed by the Company with the U.S. Securities and Exchange Commission (the "Commission") under the U.S. Securities Act of 1933, relating to the registration of shares of the Company's Class A ordinary shares, par value US\$0.01 per share, which will be represented by American depository shares evidenced by American depository receipts.

We have examined the Registration Statement. In addition, we have examined, and have relied as to matters of fact upon, originals, or duplicates or certified or conformed copies, of such corporate and other records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the Company, and have made such other and further investigations as we have deemed necessary or appropriate as a basis for the opinion hereinafter set forth. In such examination, we have assumed the accuracy of the factual matters described in the Registration Statement and that the Registration Statement and other documents will be executed by the parties in the forms provided to and reviewed by us.

In rendering the opinion set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein and in the Registration Statement, we hereby confirm that the statements set forth in the Registration Statement under the caption "Taxation—Material United States Federal Income Tax Consequences" insofar as such statements relate to matters of United States federal income tax law, constitute our opinion as to the material United States federal income tax consequences to United States Holders (as such term is defined in the Registration Statement

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under the above caption) of the ownership of the Company's Class A ordinary shares and American depository shares.

We do not express any opinion herein concerning any law other than the United States federal income tax law.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement and to the reference to our firm under the heading "Taxation" in the Registration Statement.

Very truly yours,

SIMPSON THACHER & BARTLETT LLP



上海市浦东新区银城中路200号中银大厦11楼 邮政编码:200120  
 11th Floor, 200 Yin Cheng Road Central, Pudong New Area, Shanghai 200120, People's Republic of China  
 电话/ Tel: (8621) 5037-2668 传真/ Fax: (8621) 5037-2678  
 网址 http://www.zhonglun.com

## LEGAL OPINION

**To: PHOENIX NEW MEDIA LIMITED**  
 16/F, Fusheng Building Tower 2  
 No. 4 Hui Xin Dong Jie, Chaoyang District  
 Beijing 100029  
 People's Republic of China

April 21, 2011

Dear Sir/Madam:

1. We are lawyers qualified in the People's Republic of China (the "PRC") and are qualified to issue opinions on the PRC Laws (as defined in Section 5). For the purpose of this legal opinion (this "Opinion"), the PRC does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.
2. We act as PRC counsel to Phoenix New Media Limited (the "Company"), a company incorporated under the laws of Cayman Islands, in connection with (a) the proposed initial public offering (the "Offering") by the Company of American Depositary Shares ("ADSs"), representing Class A ordinary shares of par value US\$0.01 per share of the Company ("Ordinary Shares") (together with the ADSs, the "Offered Securities"), in accordance with the Company's registration statement on Form F-1, including all amendments or supplements thereto (the "Registration Statement"), filed by the Company with the Securities and Exchange Commission (the "SEC") under the U.S. Securities Act of 1933 (as amended), and (b) the Company's proposed listing of the ADSs on the New York Stock Exchange.
3. In so acting, we have examined the Registration Statement, the originals or copies certified or otherwise identified to our satisfaction, of documents provided to us by the Company and such other documents, corporate records, certificates, approvals and other instruments as we have deemed necessary for the purpose of rendering this opinion, including, without limitation, originals or copies of the agreements and certificates issued by PRC authorities and officers of the Company ("Documents"). In such examination, we have assumed the accuracy of the factual matters described in the Registration Statement and that the Registration Statement and other documents will be executed by the parties in the forms provided to and reviewed by us. We have also assumed the

北京 Beijing 上海 Shanghai 深圳 Shenzhen 广州 Guangzhou 东京 Tokyo 武汉 Wuhan 香港 Hong Kong 成都 Chengdu

genuineness of all signatures, seals and chops, the authenticity of all documents submitted to us as originals, and the conformity with the originals of all documents submitted to us as copies, and the truthfulness, accuracy and completeness of all factual statements in the documents.

4. Based upon and subject to the foregoing, we are of the opinion that the statements set forth under the caption "Taxation" in the Registration Statement insofar as they constitute statement of PRC tax law, are accurate in all material respects and that such statements constitute our opinion.

We do not express any opinion herein concerning any law other than PRC tax law.

5. This opinion is subject to the following qualifications:
  - (a) This Opinion relates only to any and all laws, regulations, statutes, rules, decrees, notices, and supreme court's judicial interpretations currently in force and publicly available in the PRC as of the date hereof ("PRC Laws") and we express no opinion as to any other laws and regulations. There is no guarantee that any of the PRC Laws, or the interpretation thereof or enforcement therefor, will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect.
  - (b) This Opinion is intended to be used in the context which is specifically referred to herein and each section should be looked on as a whole regarding the same subject matter.
  - (c) This Opinion is subject to the effects of (i) certain legal or statutory principles affecting the enforceability of contractual rights generally under the concepts of public interest, national security, good faith and fair dealing, applicable statutes of limitation, and the limitations by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditor's rights generally; (ii) any circumstance in connection with formulation, execution or performance of any legal documents that would be deemed materially mistaken, clearly unconscionable, fraudulent; (iii) judicial discretion with respect to the availability of injunctive relief, the calculation of damages, and the entitlement of attorneys' fees and other costs; and (iv) the discretion of any competent PRC legislative, administrative or judicial bodies in exercising their authority in connection with the interpretation, implementation and application of relevant PRC Laws.

This Opinion is rendered to you for the purpose hereof only, and save as provided herein, this Opinion shall not be quoted nor shall a copy be given to any person (apart from the addressee) without our express prior written consent except where such disclosure is required to be made by the applicable law or is requested by SEC or any other regulatory agencies.

We hereby consent to the use of this opinion in, and the filing hereof as an exhibit to, the Registration Statement and to the reference to our firm under the headings "Taxation" in the Registration Statement. In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulations promulgated thereunder.

[The remainder of this page is intentionally left blank.]

[Signature Page]

Yours faithfully,

/s/ Zhong Lun Law Firm  
Zhong Lun Law Firm

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## Labor Contract

In accordance with the Law of Labor Contract of the PRC and relevant labor laws, regulations and administrative rules, as well as the bylaws made by the Company, and on the principle of free will, equality, negotiation and consensus, Party A and Party B agree to enter into this labor contract (**this “Contract”**) in respect of the establishment of the labor relations and relevant rights and obligations, and to abide by terms and conditions of this Contract and acknowledge this Contract as the basis for any dispute resolution.

Party B undertakes that there he/she has no other labor relation with any other labor unit when entering into this Contract and the execution of this Contract will not conflict with any non-competition or other obligations of Party B to any third party. Otherwise, Party A has the right to rescind this Contract from time to time without any responsibility for any compensation, while Party B shall compensate any losses arising therefrom suffered by the third party.

### Chapter 1 Contract Term

**Article 1** This Contract is a labor contract with a fixed term.

The term of this Contract is from \_\_\_\_\_ to \_\_\_\_\_, in which the probation period is from \_\_\_\_\_ to \_\_\_\_\_.

**Article 2** During the term of this Contract, in case both parties enter into any other particular agreement regarding the service period of Party B and the agreed service period is longer than the term of this Contract, the term of this Contract shall be automatically extended till the completion of the performance of such particular agreement.

**Article 3** Unless any party notifies in writing to another party at least 30 days before the expiration of the term of this Contract, the term of this Contract will be automatically extended for an additional three months.

### Chapter 2 Work Content

**Article 4** Party B agrees to work at \_\_\_\_\_ position (type of work) in \_\_\_\_\_ Department, pursuant to the requirement by Party A.

**Article 5** According to the features of the position (type of work) in Party A's business, the working area or location of Party B is \_\_\_\_\_

**Article 6** Due to any actual working requirement, adjustments to the position and remuneration of Party B, according to the specialty, working skills, working ability and \_\_\_\_\_

performance of Party B, shall be agreed upon in principle of negotiation between the two parties except for the following circumstances:

(1) Management and operational requirements resulting in the adjustment of business directions and structures such that the working procedures and organizational arrangements shall be changed, causing Party A to need to rearrange the position of Party B.

(2) Management and operational requirements the result of which Party A makes a temporary arrangement in the position of Party B.

(3) Party B being unable to meet the timeline targets, working quality or output due to certain factors such as knowledge, experience, skills, health conditions, so that he/she is not competent for the position,

**Article 7** Party B shall meet the skill requirements for the position he/she takes, complete the work and reach the quality standards of Party A.

### Chapter 3 Working Hours and Rest and Vacations

**Article 8** According to requirements of the characteristics of the position, the position of Party B shall apply the \_\_\_\_\_ working hour system. The calculation methods of each working hour system are subject to the relevant regulations in Beijing.

If comprehensive calculation working hour system or flexible working hour system applies to Party B, the administrative permit for such special working hour system shall be obtained in advance from labor protection department.

**Article 9** After obtaining Party B's consent, Party A may appropriately extend the working hours of Party B, or arrange Party B to work overtime on off days or statutory holidays due to working requirements. Party A undertakes to limit the overtime hours and times within the scope set forth in the State labor regulations, and pay relevant overtime pay or arrange deferred rest (different rules will be set out for flexible working hour system).

No work may be deemed as overtime work unless application for such overtime work has been submitted and the relevant approval has been obtained in advance.

The human resource department of Party A will verify the overtime hours of Party B at the end of each month, and return the original copy of Application Form for Overtime Work to Party B, so that Party B may check the payment of the overtime pay and the arrangement of the deferred rest.

**Article 10** Party B may enjoy paid leave upon certain specific conditions, the detailed information of which has been set forth in Vacation Regulation.

### Chapter 4 Labor Protection, Working Condition and Occupational Hazards Protection

**Article 11** Due to the requirements of the business, Party A may arrange the business trips for Party B. The destinations of business trips include: Mainland China, Asia Pacific and other

places around the world. During the business trips, Party A will provide relevant treatments and insurance conditions for Party B. The administration of business trips will be carried out in accordance with the relevant regulations of the Company.

**Article 12** Due to the requirements of the position, Party A shall equip Party B with essential labor protection measures and provide necessary labor protection equipments in accordance with relevant State regulations on occupational safety and health.

**Article 13** Party A shall establish a work safety system pursuant to relevant laws and regulations and Party B shall strictly abide by the labor safety system of Party A, not work contrary to the established rules, prevent accidents in the process of work, and lessen occupational hazards.

**Article 14** Party A shall establish and perfect the responsibility system for, strengthen the managements of, and improve the level of, prevention and treatment of the occupational diseases.

**Article 15** Before signing of this Contract, Party B shall truthfully provide Party A with the certificates certifying that his/her health condition fits for the position provided by Party A.

### **Chapter 5 Remuneration**

**Article 16** According to the position, working experience and working achievements of Party B and as agreed by both parties: the base pay of Party B for each month is RMB                      and the performance related pay for each month is RMB                      (during the probation term, the base pay for each month is RMB                      and the performance related pay for each month is RMB                      ). Party A shall pay Party B the remuneration in cash before the first day of each month.

**Article 17** Party A will appraise and adjust the position of Party B every year according to the performance and achievements of Party B. Generally, such appraisal will be conducted at the end of each year. For special cases, the time of appraisal will be determined by the board of directors of Party A.

**Article 18** Party A has the right to adjust the remuneration of Party B according to the operation conditions, adjustments of the position of Party B and legally formulated remuneration allocation system.

**Article 19** If Party B becomes idle due to insufficiency of task, Party A shall pay Party B a monthly living expenses according to the relevant regulations of the State and Beijing.

**Article 20** If Party B resigns before the end of the calendar year, he/she shall not be paid the annual bonus.

### **Chapter 6 Insurance Welfare and Other Insurance Welfare Treatments**

**Article 21** Party A and Party B shall participate in social insurance in accordance with relevant regulations of the State and Beijing. Party A shall go through the relevant formalities of social insurance for Party B, and undertake relevant social insurance obligations. If Party B fails to provide necessary materials as required by Party A for payment of social insurance premium, thus rendering Party A unable to go through the formalities for payment of social insurance premium and needing to make a supplementary payment according to the rules of local social insurance authority, Party B shall bear any loss suffered by himself/herself.

**Article 22** Party A shall pay the housing fund for Party B from the next month after the probation period expires.

**Article 23** Part of the social insurance premium and housing fund to be borne by Party B individually shall be withheld and paid by Party A when paying Party B's salary.

**Article 24** If Party B is sick or injured not due to work and required to suspend the work for medical treatment, Party A shall provide Party B with medical treatment period in accordance with the regulations of the State. The remuneration and the medical welfare for Party B during medical treatment period shall be implemented according to relevant regulations of the State and Beijing as well as the Regulations on Management of Attendance of the Company.

**Article 25** In case of any occupational diseases or work-related injury, the treatment for Party B shall be implemented in accordance with relevant regulations of the State and Beijing.

**Article 26** Party A will provide free lunch to Party B in work days. The standard of free lunch will be carried out according to relevant rules of the Company.

### **Chapter 7 Labor Rules**

**Article 27** Party A may legally establish bylaws and labor rules. When Party B violates labor rules and bylaws, Party A is entitled to give disciplinary sanctions or penalties to Party B, or may even rescind this Contract according to the bylaws of the Company.

**Article 28** Party B shall abide by the labor rules and bylaws, regulations relating to labor health, working procedures, operation rules and working standards, take care of the properties of Party A, comply with the professional ethics, and take active part in the training organized by Party A to improve his/her various abilities.

**Article 29** Without the approval from Party A, Party B may not give, lend or sell the properties of Party A to others, nor use the working articles or appliances for private affairs. In the course of work, Party B shall strictly comply with relevant regulations with no extravagance and waste.

**Article 30** Party B undertakes that, without the written approval from Party A or any of its subsidiaries, he/she will not, during the contract term, provide any service in any form

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(including part time work, agency, consultations, etc.) to any other individual, company, organization or institution, or engage in, for himself/herself or any third party, any matter which is relevant to or has the same or similar features with the work he/she does for Party A, whether for free or with payments.

**Article 31** Party B shall voluntarily obey the working assignments, supervisions and managements by Party A, and is obligated to make truthful and reasonable explanations for his/her working behavior to Party A.

**Article 32** Party B undertakes to keep confidential the business secrets of Party A, including (but not limited to) the organizational structure, personnel, business, technology, client relations and economic conditions, etc. Without the permission of Party A, Party B shall not sell (or indirectly sell) the business secrets of Party A for profits, or provide such secrets to any third party for free, otherwise Party B shall assume relevant legal responsibilities and compensate for all the damages. Party A has the right to give labor rules to Party B, even rescind this Contract. The detailed confidentiality obligations shall be subject to the Confidentiality Agreement executed by both parties.

**Article 33** Party A has the right to require Party B to sign the Confidentiality Agreement according to the requirements of managements and operations.

**Article 34** Party B undertakes, when the interests of individuals, lineal relatives or friends are directly or indirectly related to the business of the Company he/she takes charge of, he/she shall instantly inform Party A of such relations and withdraw on his/her own initiative.

**Article 35** When performing work or doing business with others, Party B shall comply with all the State policies and regulations. In case of any violation of laws and regulations by Party B, Party A would not assume any legal responsibilities and is entitled to impose punishment on Party B, even terminate this Contract. In case of any losses suffered by Party A resulting from Party B's violation of laws and regulations, Party A may require Party B to compensate such losses.

**Article 36** During the work for Party A, Party B must maintain the internal working atmosphere and environment of the Company, and shall not discriminate against others or interrupt the normal work of others. When interrupted or discriminated by others during work, Party B has the right to report to the managers of Party A and require the Company to impose any necessary punishment on such actions.

#### **Chapter 8 Changes of Labor Contract**

**Article 37** In case of any change of the laws, regulations and rules which are the basis of this Contract, the relevant provisions in this Contract shall be changed accordingly.

**Article 38** This Contract can be changed in writing upon the mutual agreement of the parties.

**Article 39** When any party requires any change of this Contract, that party shall notify the

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other party in writing, and such other party shall give the written response within 15 days (the 15<sup>th</sup> day inclusive); if no response is given, it would be deemed that such other party disagrees on such proposed change.

#### **Chapter 9 Rescission and Termination of Labor contract**

**Article 40** This Contract may be rescinded upon the unanimous agreement by both parties.

**Article 41** Where it is proved that Party B cannot fill the employment conditions during the probation term, Party A may rescind this Contract by giving 3-day advance notice.

**Article 42** When notifying Party A in writing 30 days in advance, or 3 days in advance during probation period, Party B may rescind this Contract; and Party A shall handle relevant procedures. After Party B completes the hand-over procedures required by Party A and Party A signs the confirmation, this Contract shall be rescinded immediately, unless the economic losses to Party A have not been completely settled, or Party B is still in the process of investigating any other matter.

**Article 43** If the position of Party B is deemed to be related to business or technology secrets, Party A has the right to allocate Party B to another position 1 month before the rescission of this Contract or Party B's notice of the rescission of this Contract.

**Article 44** Party B may rescind this Contract if Party A is under any of the following circumstances:

- (1) where Party A fails to provide labor protection or working conditions as agreed in this Contract;
- (2) where Party A fails to pay remuneration in full and in time;
- (3) where Party A fails to pay social insurance premium for Party B in accordance with relevant laws;
- (4) where Party A's articles and bylaws contravene the laws and regulations, thereby causing damage to Party B's interests;
- (5) where Party A uses deception or threats or takes advantage of Party B and causes Party B to establish or change this Contract against the will of Party B resulting in the nullification of this Contract; or



- (6) other circumstances stipulated by relevant laws and regulations under which Party B may rescind this Contract.

**Article 45** Party A may rescind this Contract if Party B is under any of the following circumstances:

- (1) The personal materials of Party B provided to Party A during the recruitment are false, including but not limited to: certificate of leave, certificate of identification, certificate of household register, certificate of diploma, certificate of physical examination, etc. being false or counterfeit; Party B having had a mental disorder, infectious diseases or other diseases which materially affect the performance in work before participating in the

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recruitment but did not notify Party A; Party B having recorded a demerit, kept in factory but placed under surveillance, fired, expelled and other such material punishments, or having had had misdeed like drug abuse before the recruitment and did not notify Party A; Party B used to be sentenced to rehabilitation through labor or criminal detention or be investigated for the criminal liabilities according to relevant laws and did not notify Party A during the recruitment, etc.;

- (2) Where Party B materially violates the regulations and rules of Party A, and the situation of rescission of this Contract happened.  
(3) where Party B causes material losses and damage to Party A by gross dereliction of duty or engagement in malpractice for selfish ends;  
(4) in violation of the Article 30 of this Contract, where Party B establishes labor relations with other employers at the same time, resulting in material impact on completion of the tasks of Party A, or refusing to rectify after being informed by Party A;  
(5) where Party B is held liable at criminal law.

**Article 46** Party A may, by giving a 30 days written notice to Party B in advance or paying extra wages of one month in lieu of notice to Party B, rescind this Contract under any of the following circumstances:

- (1) where Party B is unable to engage in his/her original work or any new work otherwise arranged by Party A after the completion of the stipulated period of medical treatment for sick or non work-related injuries;  
(2) where Party B is not competent for his/her work and remains incompetent after being trained or assigned to another job; or  
(3) no agreement on the changes of this contract can be reached between the parties according to the Article 37 of this Contract.

**Article 47** Under any of the following circumstances, where it is necessary to reduce the workforce by more than 20 persons or by less than 20 persons but more than 10% of all staff members of the enterprise, Party A may reduce the workforce after having provided explanation to the trade union or all staff members 30 days in advance for opinions thereof, and after having submitted the reduction plan to the labor administration department:

- (1) where Party A undergoes restructuring in accordance with the provisions of the Enterprise Bankruptcy Law;  
(2) where Party A is experiencing serious difficulties in production or business operations;  
(3) where party A changes the line of production, introduces significant technology innovation or adjusts the operation mode and still has to reduce the workforce after having changed this Contract; or  
(4) where this Contract is unable to be performed due to other material changes of the objective economic situation upon which this Contract is concluded.

**Article 48** Party A may not rescind this Contract on the basis of the provisions stipulated in

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Article 46 and Article 47 herein under any of the following circumstances:

- (1) where Party B that engages in hazardous operations with exposure to occupational diseases has not been examined for occupational health before leaving the position or where Party B is suspected of suffering from occupational diseases and is being diagnosed or under medical observation;  
(2) where Party B has developed occupational diseases during his/her service with Party A or is injured due to work and is confirmed to have lost or partially lost the working capability;  
(3) where Party B is within the medical treatment period for illness or non work-related injuries;  
(4) where a female employee is within her pregnant, puerperal or breast-feeding period;  
(5) where Party B has been working for Party A for more than 15 consecutive years and is within 5 years from the statutory retirement age;  
or  
(6) other circumstances stipulated by laws and administrative regulations.

**Article 49** This Contract shall be automatically terminated under any of the following circumstances:

- (1) where the term of this Contract expires;  
(2) where Party B starts to receive basic pension benefits in accordance with relevant laws;  
(3) where Party B is dead or is declared as dead or missing by the People's Court;  
(4) where Party A is declared bankrupt in accordance with relevant laws;  
(5) where Party A has its business license revoked or is ordered to be closed or dissolved, or where Party A decides to dissolve in advance;  
(6) although still having the situation and possibility to perform this Contract, but Party B is temporarily unable to perform, include but not limited to the crime or violation suspected of, limitations of freedom by public security organ, State security organ or judicial organ, or failure of performing this Contract within 15 days; or  
(7) other circumstances stipulated by laws and administrative regulations

**Article 50** Where this Contract expires under any of the circumstances stipulated in Article 48 herein, it shall be extended until the corresponding circumstance ceases to exist. Notwithstanding the foregoing, the termination of this Contract of Party B who has lost, or partially lost, working capability as stipulated in Item (2) of Article 48 herein shall be subject to the provisions of the State on work-related injury insurance.

**Article 51** Within 30 days before the expiration of this Contract, where Party A notifies Party B of the intention of termination or renewal of this Contract in writing, Party B shall give Party A the written response within 15 days (the 15<sup>th</sup> day inclusive), if no response is given, it would be deemed that Party B disagrees on the renewal.

## Chapter 11 Post-Contract Obligation

**Article 52** When this Contract is rescinded or terminated, Party B shall perform the

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following obligations:

- (1) Hand over all the work to the appointed person according to the requirements of Party A;
- (2) Return all the tangible or intangible assets like business articles, documents, equipment he/she occupies in good condition;
- (3) Hand over all carriers of material information to Party A;
- (4) Assist Party A to clean up the creditor's rights and indebtedness between two parties;
- (5) Complete all the leaving procedure required by Party A, and process such procedure;
- (6) Others: handle other matters that shall be handled.

**Article 53** Upon the rescission or termination of this Contract and the performance of the obligations stipulated in Article 52 herein by Party B, Party A shall perform the following obligations:

- (1) Handle relevant procedures on the termination of employment relations for Party B;
- (2) Handle relevant procedures on the transfer or sealing up procedures of social insurance and housing funds within 15 days from the termination of the employment relations;
- (3) Issue the certificate of demission for Party B.

**Article 54** If Party B's whereabouts is unknown or he/she leaves without a word, or fail to perform the obligations stipulated in Item (2) of Article 50, making Party A unable to process, or delay, the leaving procedure, Party B herein irrevocably acknowledges that he/she is the party with fault and would take all the responsibilities.

## Chapter 12 Economic Compensation

**Article 55** Party A shall pay economic compensation to Party B in case of any of the following circumstances:

- (1) where Party B rescinds this Contract in accordance with the provisions stipulated in Article 44 herein;
- (2) where Party A proposes to Party B to rescind this Contract in accordance with the provisions stipulated in Article 48 herein and this Contract is rescinded on consensus between the two parties after consultation;
- (3) where Party A rescinds this Contract in accordance with the provisions stipulated in Article 46 herein;
- (4) where Party A rescinds this Contract in accordance with the provisions stipulated in Item (1) of Article 47 herein;
- (5) where a fixed-term labor contract is terminated in accordance with the provisions stipulated in Item (1) of Article 49 herein, except where Party B does not agree to renew

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the contract though Party A maintains or raises the agreed conditions specified in this Contract;

- (6) where this Contract is terminated in accordance with the provisions stipulated in Items (4) and (5) of Article 49 herein; or
- (7) other circumstances stipulated by relevant laws and administrative regulations.

**Article 56** The economic compensation shall be calculated on the basis of number of years he/she has worked for Party A. One month's wage shall be paid to Party B for each full year service. Where the service period is more than six months but less than one year, it shall be counted as one year; where the service period is less than six months, the payable economic compensation to Party B shall be half of his/her monthly wage.

Where the monthly wage of Party B is more than three times of the average wage of employees in the previous year published by the people's government of the municipality directly under the Central Government or the city with districts at the domicile of Party A, the economic compensation payable to Party B shall be three times of the average monthly wage of the employees in the said municipality or city and the maximum term of years for economic compensation payable shall not be more than twelve years.

For the purpose of this Contract, "monthly wage" shall refer to the average monthly wage of the last twelve months of Party B prior to the rescission or termination of this Contract.

**Article 57** Where this Contract is rescinded due to Party B's breach of this Contract, in case Party B has participated in the training sponsored by Party A, and the relevant service period as stipulated in Training Agreement has not expired, Party B shall compensate the training expense and other economic losses suffered by Party A according to the compensation standard stipulated in the Training Agreement.

**Article 58** Where Party B owes any money to Party A, or the rescission of this Contract by Party B constitutes a breach of this Contract, resulting in any economic losses suffered by Party A, and Party B shall assume the compensation liability in accordance with laws and regulations and this Contract, Party A is entitled to deducting such money or losses from the amount payable to Party B, including but not limited to, wages, bonus, subsidiaries or allowance, etc., but such deductions shall not be in violation of relevant laws and regulations. In case such deduction is insufficient, Party A still has the right to recover the remaining part from Party B.

## Chapter 13 Other Agreements between Parties

**Article 59 Non-Competition**

(1) If the position of Party B is deemed as confidential or important by Party A, both parties shall enter into a separate Non-Competition Agreement. Any rights and obligations of both parties relating to non-competition shall be subject to the Non-Competition Agreement.

(2) During the term of this Contract or after the rescission or termination of this Contract, Party B shall not individually or together with any other individual, enterprise,

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company or organization, induce or cause any client or supplier of Party A or any of its affiliates to terminate or materially reduce the business transactions with Party A or any of its affiliates.

(3) During the term of this Contract or after the rescission or termination of this Contract, Party B shall not interfere in the contract relation or employment relation between Party A or any of its affiliates and any client, supplier, employee or consultant in any inappropriate form.

**Article 60** Party A and Party B agree to add the following to this Contract:

**Chapter 14 Labor Disputes Resolution and Others**

**Article 61** If any disputes arise in the course of performance of this Contract, application for mediation may be made to Party A's Labor Disputes Mediation Organization; if mediation fails, the dispute may be submitted to the labor disputes arbitration committee for arbitration.

Direct application may be made to the labor disputes arbitration committee for arbitration by either party.

**Article 62** The Employment Handbook, Training Agreement, Confidentiality Agreement, Examination System and other relevant management bylaws of Party A are the supplements of this Contract and shall have the same legal effect as this Contract.

**Article 63** Any matter, not mentioned herein or conflicting with relevant regulations of the State or Beijing, shall be implemented in accordance with relevant regulations.

**Article 64** Any labor contract entered between both parties before the effectiveness of this Contract shall be void automatically from the execution date of this Contract. If any provision of any other previous agreement between the parties conflicts with any provision of this Contract, the relevant provision in this Contract shall prevail.

**Article 65** Party B agrees to authorize the "Emergency Contact Person" stated at the beginning of this Contract as the fiduciary of Party B, in the circumstance that he/she is unable to be contacted (including but not limited to that Party B is in hospital or loses freedom, etc.). Such fiduciary has the right to accept reconciliations and mediations, sign and accept relevant documents.

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**Article 66** The correspondence address of Party B stated at the beginning of this Contract is the only fixed correspondence address for both parties. In case of any dispute or even arbitration during the performance of this Contract, such address shall be the legal address of Party B. In case of any change of such address, Party B shall immediately notify Party A in writing of such change, otherwise, Party B shall be liable for any failure of contacts.

**Article 67** This Contract shall be executed in duplicate, one for each, and becomes effective upon execution (or affixing seal) by both parties.

**Article 68** This Contract is written in English and Chinese. The two language versions shall have equal validity and legal effect, provided that in case of any conflict or discrepancy between the versions, the Chinese version shall prevail.

Party A (seal)

Party B (signature or seal)

Legal Representative  
OR Authorized Representative

Date:

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This renewal is for the Labor Contract executed by both parties dated \_\_\_\_\_ with the No. of \_\_\_\_\_ .

The type of the duration of this renewed Labor Contract is \_\_\_\_\_ contract, the effective date is \_\_\_\_\_ , and the termination date is \_\_\_\_\_ .

Party A (seal)

Party B (signature or seal)

Legal Representative

OR Authorized Representative (signature or seal)

Date: \_\_\_\_\_

This renewal is for the Labor Contract executed by both parties dated \_\_\_\_\_ with the No. of \_\_\_\_\_ .

The type of the duration of the renewed Labor Contract is \_\_\_\_\_ contract, the effective date is \_\_\_\_\_ , and the termination date is \_\_\_\_\_ .

Party A (seal)

Party B (signature or seal)

Legal Representative

OR Authorized Representative (signature or seal)

Date: \_\_\_\_\_

**Changes to the Labor contract**

On the basis of equality, free will, negotiation and consensus by both parties, the parties agree to change the following provision of this Contract:

Party A (seal)

Party B (signature or seal)

Legal Representative

OR Authorized Representative (signature or seal)

Date: \_\_\_\_\_

**EFFECTIVE DATE: June 20, 2008**

**PHOENIX NEW MEDIA LIMITED**

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**RULES OF THE  
SHARE OPTION SCHEME**

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**JONES DAY**  
Solicitors and International lawyers  
29/F, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

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**PHOENIX NEW MEDIA LIMITED**

**RULES OF THE SHARE OPTION SCHEME**

1. **PURPOSE OF THE SCHEME**

The purpose of the Scheme is to recognise the contribution or potential contribution of the executives, employees, directors, consultants, advisers, agents, business partners, joint venture partners, service providers and contractors of the Company and/or the Affiliates by granting Options to them as incentives or rewards.

2. **DEFINITIONS AND INTERPRETATION**

2.1 In these rules, unless the context otherwise requires, the following words and expressions shall have the respective meanings set out opposite them:

“Affiliate”	any company which is (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder of the Company; or (e) a company controlled by a controlling shareholder of the Company; or (f) a company controlled by the Company; or (g) an associated company of a holding company of the Company; or (h) an associated company of the Company;
“associate”	shall have the meaning ascribed to it under Rule 1.01 of the Listing Rules in relation to any director, chief executive, substantial shareholder or management shareholder (if applicable) (in each case being an individual);
“Auditors”	the auditors for the time being of the Company, or an independent financial adviser appointed by the Board;
“Board”	the board of Directors for the time being;
“business day”	a day on which GEM or the Main Board (as the case may be) is open for the business of dealing in securities;
“chief executive”	shall have the meaning ascribed to it under Rule 1.01 of the Listing Rules;
“Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands and includes any amendment, consolidation or re-enactment thereof from time to time;
“Company”	Phoenix New Media Limited, a company incorporated in the Cayman Islands, an indirect wholly-owned subsidiary of Phoenix as at the date of adoption of the

Scheme;

“connected person” shall have the meaning ascribed to it under Rule 1.01 of the Listing Rules;

“Directors” the directors of the Company from time to time;

“Effective Date” the date on which the Scheme is adopted by an ordinary resolution of Phoenix in general meeting;

“Eligible Person”	(a) any executive, employee or director of the Company or any Affiliate; and (b) any consultant, adviser, agent, business partner, joint venture partner, service provider, contractor who, as determined at the sole discretion of the Board, has or may have contribution to the Company or any Affiliate;
“GEM”	the Growth Enterprise Market operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	Phoenix and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Main Board Listing Rules or the GEM Listing Rules (as the case may be) applicable to the Company from time to time;
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the option market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM;
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Offer”	an offer to grant an Option made in accordance with rule 3.1;
“Offer Date”	(save as modified in the context of particular rules) the date on which an Offer is made to an Eligible Person;
“Option”	an option to subscribe for Shares pursuant to the Scheme for the time being subsisting which shall include a Sale Option, where applicable;
“Option Holder”	a person holding an Option;

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“Option Period”	the period during which an Option may be exercised as notified by the Board to an Eligible Person in the Offer, provided that such period shall not be longer than 10 years from the Offer Date, the Board may also impose restrictions on the exercise of an Option during the period an Option may be exercised;
“Option Price”	the price per Share payable on the exercise of an Option as determined by the Board on a fair and reasonable basis, taking into consideration the prevailing market condition, performance of the Company and after having assessed the efforts, performance and/or future potential contribution of the Eligible Person to the success of the business and operations of the Company (and the Affiliates from time to time), which shall be no less than the nominal value of the Shares on the Offer Date. The Option Price in respect of any Option granted after Phoenix has resolved to seek a separate listing of the Company on the Main Board or GEM or an overseas stock exchange and up to the listing date of the Company must be not less than the new issue price (if any) of the Shares on listing. Without prejudice to the foregoing, any Option granted during the period commencing six months before the lodgement of Form 5A (or its equivalent for listing on the Main Board or any overseas exchange) up to the listing date of the Company are subject to the above requirement. The exercise price of any Option granted during such period shall be adjusted to a price not lower than the new issue price as the Board may deem appropriate; or (where applicable) such price as from time to time adjusted pursuant to the Scheme;
“Phoenix”	Phoenix Satellite Television Holdings Limited, an exempted company incorporated in the Cayman Islands;
“Phoenix Board”	the board of directors of Phoenix for the time being or a duly authorised committee thereof;
“Phoenix Shareholder”	the registered holder of issued share(s) of Phoenix from time to time;
“PRC”	the People’s Republic of China, which shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“Relevant Event”	any variation in the share capital of the Company arising from any reduction, sub-division or consolidation of share capital, any rights issue or the issue of any share capital (including any securities convertible into share capital or warrants or options to subscribe for any share capital but excluding any Option granted pursuant to the

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“Sale Option”	Scheme or other share option schemes of the Company) by way of capitalisation of profits or reserves or in connection with an offer made pro rata to the Shareholders except where share capital is issued as consideration or part consideration in a transaction; a right granted to receive the Sale Price in respect of Shares pursuant to the Scheme;
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“Sale Price”	the amount (if any) by which (i) the net proceeds of sale (e.g. after payment of, without limitation, stamp duty, commissions, brokerage and Stock Exchange transaction levy) of the Shares in respect of which a Sale Option is exercised, exceeds (ii) the Subscription Price applicable to such Shares;
“Scheme”	the share option scheme of the Company in its present form or as from time to time amended in accordance with the provisions hereof;
“Scheme Period”	the period commencing on the Effective Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof;
“Share(s)”	ordinary share(s) of US\$0.01 each (or such other amount as such ordinary share(s) may be divided or consolidated or converted into) in the share capital of the Company;
“Shareholder”	the registered holder of issued Share(s) from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	an amount equal to the Option Price multiplied by the relevant number of Shares in respect of which the Option is exercised;
“Supplementary Guidance”	the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 and any guidance and interpretation issued from time to time by the Stock Exchange relating to share option schemes;
“HK\$”	Hong Kong dollars; and
“US\$”	United States dollars.

2.2 References to the singular include the plural, references to any one gender include every gender, references to persons include bodies corporate and unincorporated; and (in each case) vice versa.

2.3 References to these rules are to the rules constituting the Scheme.

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2.4 Headings used in these rules are for convenience only and shall not affect their interpretation.

2.5 References to any statute or statutory provision or the Listing Rules shall be construed as references to such statute or statutory provision or the Listing Rules as respectively amended, consolidated or re-enacted, or as its operation is modified by any other statute or statutory provision (whether with or without modification) or regulatory bodies, and shall include any subsidiary legislation enacted under the relevant statute.

### 3. **OFFER OF GRANT OF OPTIONS**

3.1 Subject to these rules and for so long as the Company remains a subsidiary of Phoenix, subject also to the Listing Rules, the Board may during the Scheme Period at its absolute discretion (subject to any terms and conditions as it may think fit) make an Offer (in such form as the Board may from time to time determine but which shall in any event be in writing) to an Eligible Person. The eligibility of the Eligible Persons is determined by the Board with reference to the Eligible Persons’ past and expected commitment and contribution to the Company and/or the Affiliates.

3.2 Any proposed grant of Options to a director, chief executive, management shareholder (if applicable) or substantial shareholder (as such terms are defined in the Listing Rules) of Phoenix or any of their respective associates, for so long as the Company remains a subsidiary of Phoenix, must be approved by all independent non-executive directors of Phoenix (excluding any independent non-executive director of Phoenix who is proposed to be a grantee of such Options).

3.3 For so long as the Company remains a subsidiary of Phoenix, where any proposed grant of Options to a substantial shareholder (as such term is defined in the Listing Rules) of Phoenix or an independent non-executive director of Phoenix, or any of their respective associates, will result in the total number of Shares issued and to be issued upon exercise of Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the Offer Date:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, assuming such Options were exercised and based on the adjusted net asset value per Share in accordance with the latest audited accounts of the Company, in excess of HK\$5 million,

such further grant of Options, and any change in the terms of Options granted, shall be subject to the issue of a circular in compliance with Rule 23.04 of the GEM Listing Rules or Rule 17.04 of the Main Board Listing Rules (as the case may be) by Phoenix to the Phoenix Shareholders, the approval of the Company in general meeting and the approval (by way of voting by poll) of Phoenix in general meeting at which all connected persons of Phoenix must abstain from voting, except that any connected person of Phoenix may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. The date of the meeting of the Board proposing such further grant shall be taken as the Offer Date for the purpose of calculating the minimum Option Price.

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3.4 For so long as the Company remains a subsidiary of Phoenix, an Offer must not be made after a price sensitive development concerning the Group has occurred or has been the subject of a decision, until such price sensitive information has been announced in accordance with the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (a) the date of the meeting of the Phoenix Board (as such date is first notified to the Stock Exchange in accordance with Rule 17.48 of the GEM Listing Rules or Rule 13.43 of the Main Board Listing Rules (as the case may be)) for the approval of any quarterly, interim or annual results; and
- (b) the deadline for Phoenix to publish any quarterly, interim or annual results announcement under the Listing Rules,

and ending on the date of the results announcement of Phoenix, no Option may be granted.

3.5 The Board has the discretion to require a particular Option Holder to achieve certain performance targets specified at the time of Offer before any Option granted under the Scheme can be exercised.

3.6 The Board has the discretion to fix any minimum period(s) for which an Option or any part thereof has to be held before the exercise of the subscription rights attaching thereto.

#### 4. **MAXIMUM NUMBER OF SHARES IN RESPECT OF WHICH OPTIONS MAY BE GRANTED**

4.1 Subject to rule 4.2 below, for so long as the Company remains a subsidiary of Phoenix:

- (a) the total number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the Shares in issue on the Effective Date (the "Limit"), unless further Shareholders' approval and approval of the Phoenix Shareholders have been obtained pursuant to rule 4.1(b) and rule 4.1 (c) below, provided that Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the Limit;
- (b) the Company may seek approval from the Shareholders and Phoenix may seek approval from the Phoenix Shareholders in general meetings to refresh the Limit provided that:
  - (i) the Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of approval from the Phoenix Shareholders of the refreshed Limit;
  - (ii) Options previously granted (including those outstanding, cancelled, lapsed or exercised in accordance with the provisions of the Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the Limit as refreshed; and

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- (iii) a circular shall be despatched to the Phoenix Shareholders together with the notice of the relevant general meeting in accordance with Note 1 to Rule 23.03(3) of the GEM Listing Rules or Note 1 to Rule 17.03(3) of the Main Board Listing Rules (as the case may be); and

- (c) the Company may seek separate Shareholders' approval and Phoenix may seek separate approval of the Phoenix Shareholders in general meetings to grant Options beyond the Limit or refreshed Limit provided that the Options in excess of the Limit or refreshed Limit are granted only to such Eligible Persons specifically identified by the Company before such approval is sought, and a circular containing a generic description of the specified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Persons and how these Options serve such purpose shall be despatched to the Phoenix Shareholders together with the notice of the relevant general meeting.

4.2 The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the Shares in issue from time to time.

4.3 The total number of Shares issued and to be issued upon the exercise of Options granted and to be granted to each Eligible Person (including both exercised and outstanding Options) in any 12-month period up to and including the Offer Date shall not exceed 1% of the Shares in issue as at the Offer Date (the "Individual Limit").

4.4 The Company may grant further Options in excess of the Individual Limit, subject to approval of the Shareholders and the Phoenix Shareholders (for so long as the Company remains a subsidiary of Phoenix) in general meetings, at which the Eligible Person involved and his associates shall be required to abstain from voting, and the following provisions shall apply:

- (a) a circular shall be despatched to the Phoenix Shareholders together with the notice of the relevant general meeting, which shall contain the identity of the Eligible Person involved and the number and terms of Options granted and to be granted and other information required by the Listing Rules and the Stock Exchange;
- (b) the number and terms of Options to be granted to the Eligible Person involved shall be fixed before the general meetings; and
- (c) the date of the meeting of the Board for proposing such further grant should be taken as the Offer Date for the purpose of calculating the minimum Option Price.

#### 5. **ACCEPTANCE OF OFFERS OF OPTIONS**

5.1 An Offer may be accepted in whole or in part by an Eligible Person returning to the secretary of the Company, by 5:00 p.m. on the date specified in the Offer as the latest date for acceptance, the duplicate of the Offer document or other instrument in writing, duly signed by the Eligible Person



thereof. Such remittance shall in no circumstances be refundable. Once accepted, the Option shall be deemed to have been granted from the date on which it was offered to the relevant Eligible Person. The Board may (but shall not be obliged to) issue Option certificates to Option Holders in such form as they may determine from time to time.

- 5.2 All Offers and Options shall be personal to the person to whom it was made or granted and shall not be transferable or assignable and no Eligible Person to whom an Offer was made or Option Holder shall sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Offer or Option or enter into any agreement so to do. The Company will be deemed to have withdrawn any Offer made to an Eligible Person upon any breach of the foregoing. All outstanding unexercised Options granted to an Option Holder shall lapse upon any breach by him of the foregoing.
- 5.3 Offers not accepted within the period for acceptance specified in the Offer shall lapse.

## 6. **EXERCISE OF OPTIONS**

- 6.1 Subject to the provisions of these rules providing for automatic lapse of Option, Options may be exercised in whole or in part in the manner as set out in this rule 6.1 or rule 6.2 (as the case may be) by the Option Holder (or his personal representative(s)) at any time during the Option Period. In order for the exercise of an Option to be effective, the secretary of the Company must, prior to the expiry of the Option Period, have received:
- (a) a written notice in the form of the notice attached hereto as Schedule I stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. In the case of an Option Holder who is a national or a resident of the PRC or of such other country or jurisdiction as the Board shall determine from time to time and notify to the Option Holders, the notice exercising the Option shall include an undertaking in the form set out in the notice attached hereto as Schedule I confirming that the funds representing the Subscription Price payable under rule 6.1(b) upon exercise of the Option were obtained in accordance with the applicable laws and regulations. If such undertaking is not included in the notice, the Option shall be deemed for all purposes to be a Sale Option and be exercised in accordance with rule 6.2; and
  - (b) payment in full of the Subscription Price (unless the Option is or is deemed to be a Sale Option).

A notice issued by an Option Holder under rule 6.1(a) shall include a representation to the Company that the Option Holder has complied with all applicable laws, enactments and regulations to which he is subject and obtained all necessary consents thereunder to the reasonable satisfaction of the Company.

Unless otherwise agreed between the Company and the Option Holder, Shares in respect of an Option exercised (and upon payment of the Subscription Price) shall be allotted and issued and credited as fully-paid by the Company using reasonable endeavours but in any event within 30 days of the date upon which exercise of an Option becomes effective (being the date of receipt by the Company of the notice given

under rule 6.1(a)).

- 6.2 Sale Options shall be exercised on the following terms and conditions (and if any of such conditions shall not be fulfilled the exercise of the Sale Option shall be void and of no effect):
- (a) It shall be a condition that the exercise of a Sale Option shall be permitted under all applicable statutes, laws, rules and regulations.
  - (b) It shall be a further condition of the exercise of a Sale Option that the relevant Shares once issued shall be traded on GEM or the Main Board or such other recognised stock exchange as the Board shall approve, and that at all times during the period from and including the exercise of the Sale Option and issue of the relevant Shares until the completion of the sale of the relevant Shares, dealings in the Shares on such exchange shall continue and shall not be suspended.
  - (c) It shall be a further condition of the exercise of a Sale Option that the net proceeds of sale of the relevant Shares (as referred to in the definition of "Sale Price") shall exceed the total of (a) the Subscription Price of such Shares and (b) the liability, obligation or loss which may fall on the Group under rule 6.3 (but not covered in the net proceeds of sale of such Shares).
  - (d) Upon the exercise of a Sale Option, and subject to it becoming unconditional in all respects, the Board shall approve, as soon as reasonably practicable, the Shares in respect of which the Sale Option is exercised, shall arrange for the sale on GEM or the Main Board or such other recognised stock exchange as the Shares shall be traded on, shall allot and instruct the share registrar of the Company to issue the relevant Shares to the relevant purchaser(s) or subscriber(s), shall receive the whole of the net proceeds of sale of the Shares for the Company's account, free of all liens or trusts, and shall pay to the Option Holder, subject to rule 6.3 below an amount equal to the Sale Price in cash, by Company cheque or wire transfer at the Company's election. The Option Holder shall provide the Company with such information in relation to the method of making payment as the Company may require, and the making of such payment in accordance with such information shall operate as a complete and absolute discharge of the Company's obligations to make payments in respect of the exercise of the Sale Option. If so required by the Company, an Option Holder shall deliver a duly executed receipt of payment contemporaneously with the making of such payment.

- 6.3 The Option Holder shall be solely liable to pay all taxes and other levies which may be assessed or assessable on any payments made by the Company hereunder and/or relating to the exercise of an Option (including a Sale Option). All payments required to be made hereunder by the Company shall be subject to the deduction or withholding of such amounts as the Board may reasonably determine is necessary or desirable by

reason of any liability to tax or obligation to account for tax or loss of any relief from tax which may fall on the Group in respect of, or by reason of such payment or the exercise of the relevant Option (including the Sale Option), and the Option Holder agrees to indemnify and keep the Company (for itself and as trustee for other companies within the Group) indemnified in respect of any such liability, obligation or

loss and accepts that any claim in respect of such indemnity may be satisfied by set-off against any sums due from the Group to such Option Holder from time to time.

- 6.4 The Shares to which a Sale Option relates shall be allotted and issued on terms that they shall be fully paid up (upon payment of the Subscription Price) and the part of the net proceeds of issue which equals the Subscription Price of such Shares shall be credited to share capital and capital reserves.
- 6.5 The Sale Options are solely a device for the measurement and determination of the amount to be paid to each Option Holder of a Sale Option. Sale Options shall not constitute or be treated as property or as a trust fund of any kind or as shares, an interest in shares, share options or any form of equity, but shall constitute an unsecured obligation of the Company to pay the Sale Price on the terms set out in the Scheme.
- 6.6 For the avoidance of doubt, Shares issued upon the exercise of an Option shall not carry voting rights until such Shares are entered in the register of members of the Company. The Shares to be allotted and issued upon the exercise of an Option will rank *pari passu* with the fully paid Shares in issue and accordingly will entitle the Option Holder to participate in all dividends or other distributions paid or made on or after the date when such Shares are entered in the register of members of the Company other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date when such Shares are entered in the register of members of the Company, provided always that when the date of exercise of the Option falls on a date upon which the register of members of the Company is closed then the exercise of the Option shall become effective on the first business day in Hong Kong on which the register of members of the Company is re-opened.
- 6.7 If an Option Holder ceases to be an Eligible Person during any relevant Option Period:
- (a) by reason of ill-health, injury, disability or death (all evidenced to the satisfaction of the Board), then any outstanding Offer to him shall lapse and he or (as the case may be) his personal representative(s) may exercise all his Options (to the extent not already exercised) up to his entitlement at the date of such ill-health, injury, disability, death or cessation within a period of six months thereafter, failing which they shall lapse and determine at the end of the relevant period;
  - (b) by reason of retirement in accordance with his contract of employment or upon expiration of his term of directorship, then any outstanding Offer to him shall lapse and he may exercise all his Options (to the extent not already exercised) up to his entitlement at the date of such retirement or expiration within six months thereafter, failing which they shall lapse and determine at the end of the relevant period;
  - (c) by reason of voluntary resignation other than by reason of the circumstances set out in rules 6.7(a) and 6.7(b), any outstanding Offer to him shall lapse and he may exercise his Options (to the extent not already exercised) up to his entitlement at the date of such resignation within 30 days thereafter, failing which they shall lapse and determine at the end of the relevant period;

- (d) by reason of termination of his employment for serious misconduct or in accordance with the termination provisions of his contract of employment by his employing company otherwise than by reason of redundancy, any outstanding Offer to him shall lapse and all his Options shall lapse and determine on the date of such termination;
- (e) by reason of termination of such other contract or agreement constituting him an Eligible Person for the Option Holder's breach of the terms thereof or in accordance with the termination provisions of such contract or agreement by any contracting party, any outstanding Offer to him shall lapse and all his Options shall lapse and determine on the date of such termination; and
- (f) for any reason other than as described in rules 6.7(a), 6.7(b), 6.7(c), 6.7(d) and 6.7(e), any Options exercisable at the date he ceases to be an Eligible Person may be exercised to the extent then exercisable under rule 6.1 or 6.2 within a period expiring on the earlier of (i) six months from the date he so ceases or (ii) the expiration of the relevant Option Period(s) (but shall otherwise lapse and determine) and any outstanding Offer to him shall lapse;

provided always that in each case the Board at its absolute discretion may decide that such Options shall not so lapse or determine subject to such conditions or limitations as the Board may decide.

In this connection, during any relevant Option Period, the Board may require an Option Holder to supply such documents and/or information as the Board may at its absolute discretion consider to be necessary for ascertaining as to whether and when such Option Holder has ceased to be an Eligible Person. The Company shall only use all such documents and/or information for the above purpose but not otherwise. For the avoidance of doubt, the Company shall be entitled to withhold from proceeding with such Option Holder's exercise of any Option unless and until he has provided the requested documents and/or information to the satisfaction of the Board.

- 6.8 Notwithstanding anything stated in the Scheme to the contrary, an Option Period shall not be extended and, on expiry of an Option Period, all rights in respect of an Option shall terminate, except in so far as there has been an effective exercise of that Option prior thereto and the Company has not discharged all its duties under the Scheme in relation to the exercise. No Option may be exercised after the expiry of the Option Period to which it relates.
- 6.9 Any Options granted but not exercised may be cancelled if the Option Holder agrees in writing. Issuance of new Options to the same Option Holder may only be made if there are unissued Options available under the Scheme (excluding the cancelled Options) and in compliance with the terms of the Scheme.

## 7. TAKEOVER OFFERS, LIQUIDATION AND RECONSTRUCTION

7.1 If a general offer (other than by way of scheme of arrangement pursuant to rule 7.2) is made to all Shareholders or, for so long as the Company remains a subsidiary of Phoenix, to all Phoenix Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), the Company shall forthwith give notice thereof (the "Notice of General

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Offer") to all Option Holders who may at any time after such offer becomes or is declared unconditional during the Option Period of the relevant Option, be entitled to exercise the Option (to the extent not already exercised) to its full extent regardless of any vesting period requirements (if any) or to the extent specified in the Option Holder's notice to the Company in accordance with the provisions of rule 6.1 or 6.2 at any time thereafter and up to the close of such offer (or any revised offer). All outstanding Offers and unexercised Options shall lapse upon the close of such offer (or any revised offer) unless the Company has specified in the Notice of General Offer that all outstanding Offers and unexercised Options shall remain valid notwithstanding the general offer. Any outstanding Offer or unexercised Option surviving such general offer (or revised offer) shall continue to be bound by the terms of the relevant Offer and the Scheme.

7.2 If a general offer by way of scheme of arrangement is made to all Shareholders or, for so long as the Company remains a subsidiary of Phoenix, to all Phoenix Shareholders, and has been approved by the necessary number of Shareholders or Phoenix Shareholders (as the case may be) at the requisite meetings, the Company shall forthwith give notice thereof (the "Notice of Scheme of Arrangement") to all Option Holders who may at any time thereafter and until such time as specified by the Company in such notice exercise their unexercised Options to its full extent regardless of any vesting period requirements (if any) or to the extent notified by the Company (if applicable) in accordance with the provisions of rule 6.1 or 6.2. All outstanding Offers and unexercised Options shall lapse upon expiry of the period specified by the Company in the Notice of Scheme of Arrangement unless the Company has specified in such notice that all outstanding Offers and unexercised Options shall remain valid notwithstanding the scheme of arrangement. Any outstanding Offer or unexercised Option surviving such scheme of arrangement shall continue to be bound by the terms of the relevant Offer and the Scheme.

7.3 If notice is duly given by the Company to its members to convene a general meeting at which a resolution will be proposed to voluntarily wind up the Company, the Company shall give notice thereof to all Option Holders on the same date (containing an extract of the provisions of this rule) as it despatches such notice to each member of the Company, and thereupon each Option Holder or his personal representative(s) shall be entitled to exercise all or any of his unexercised Options either to its full extent regardless of any vesting period requirements (if any) or to the extent specified in such notice (if applicable) in accordance with the provisions of rule 6.1 or 6.2 at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company. In the event that an Option Holder shall exercise the Option according to rule 6.1, the notice exercising the Option shall include an undertaking set out in rule 6.1(a) and be accompanied by a remittance for the full amount of the aggregate Subscription Price whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Option Holder credited as fully paid and register the Option Holder as holder thereof. If the resolution to wind up the Company is duly passed, all Options shall, to the extent that they have not been exercised, thereupon cease and determine and all outstanding Offers shall lapse.

7.4 If under the Companies Law a compromise or arrangement between the Company and

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the Shareholders or between the Company and its creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all Option Holders on the same date as it despatches the notice which is sent to each Shareholder or creditor of the Company summoning the meeting to consider the compromise or arrangement, and thereupon each Option Holder (or where permitted his personal representative(s)) may exercise all or any of his unexercised Options either to its full extent regardless of any vesting period requirements (if any) or to the extent specified in such notice (if applicable) in accordance with the provisions of rule 6.1 or 6.2 at any time not later than two business days prior to the proposed meeting by giving notice in writing to the Company. In the event that an Option Holder shall exercise the Option according to rule 6.1, the notice exercising the Option shall include an undertaking set out in rule 6.1(a) and be accompanied by a remittance for the full amount of the aggregate Subscription Price whereupon the Company shall as soon as possible and, in any event, no later than the day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Option Holder which falls to be issued on such exercise of the Option credited as fully paid and register the Option Holder as holder thereof. All outstanding Offers and unexercised Options shall lapse upon the compromise or arrangement becoming effective unless the Company has specified in such notice that all outstanding Offers and unexercised Options shall remain valid notwithstanding the compromise or arrangement. Any outstanding Offer or unexercised Option surviving such compromise or arrangement shall continue to be bound by the terms of the relevant Offer and the Scheme.

7.5 Subject to rules 7.1 to 7.4 above, all outstanding Offers and unexercised Options shall lapse on the date of commencement of winding up of the Company.

7.6 In no circumstances shall the lapse of Offers or Options under the terms of the Scheme entitle an Eligible Person or an Option Holder to any compensation for or in respect of any consequent diminution or extinction of his rights or benefits (actual or prospective) under any Options then held by him or any Offer or otherwise in connection with the Scheme.

## 8. ADJUSTMENTS

8.1 Upon the occurrence of any Relevant Event, the number or nominal value of Shares comprised in each Option and/or the Option Price thereunder and/or the Limit (as refreshed from time to time) may be adjusted in any manner as the Board (having received a confirmation in writing from the Auditors, acting as experts and not as arbitrators, that in their opinion the proposed adjustments satisfy the requirements set out in Rule 23.03(13) of the GEM Listing Rules or Rule 17.03(13) of the Main Board Listing Rules (as the case may be) and the note thereto and the Supplementary Guidance for so long as the Company remains a subsidiary of Phoenix) may deem appropriate provided always that:

- (a) any adjustments should give an Option Holder the same proportion of the share capital of the Company (as interpreted in accordance with the Supplementary Guidance) as that to which he was previously entitled prior to such adjustments;
- (b) no adjustments shall be made which will enable a Share to be issued at less than

its nominal value;

- (c) any adjustment so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the Supplementary Guidance); and
- (d) where the Relevant Event arises from an issue of Shares, reference herein to Options shall include references to Options that have been exercised prior to the date of the adjustment in respect of Shares which pursuant to rule 6.6 do not rank and are not entitled to participate in the issue.

8.2 Notice of any adjustments shall be given to the Option Holders by the Company, which may, but need not, call in Option certificates for endorsement or replacement (if applicable).

## 9. **ADMINISTRATION**

9.1 The Scheme shall be administered by the Board whose decision on all matters arising in relation to the Scheme, these rules or their interpretation or effect shall (save as otherwise provided herein) be final and binding on all persons who may be affected thereby, subject to the prior receipt of the confirmation in writing from the Auditors when so required by rule 8.1. The Board may delegate some or all of its authority under the Scheme to an individual or individuals who may either be one or more of the members of the Board or one or more of the officers of the Company or its subsidiaries.

9.2 The Board shall have power from time to time to make or vary regulations for the administration and operation of the Scheme, provided that the same are not inconsistent with these rules and the Listing Rules.

9.3 The costs of introducing and administering the Scheme shall be borne by the Company.

9.4 Notices or other communications required to be given to an Eligible Person or to an Option Holder shall either be delivered to him personally or sent to him by pre-paid post at his correspondence address according to the records of the Group or sent to him by facsimile transmission at his place of work or to such facsimile number as provided from time to time. Notices or other communications to be given by any Eligible Person or Option Holder to the Company shall be delivered personally, or sent by pre-paid post or by facsimile transmission to its principal place of business in Hong Kong. Such notices or communications shall be deemed to have been received:

- (a) if by delivery in person, when delivered to the addressee;
- (b) if by post in the case of a letter, on the second business day following posting if the address is in Hong Kong and on the seventh business day following posting if the address is outside Hong Kong; and
- (c) if by facsimile transmission, on production of a transmission report by the machine from which the facsimile transmission was sent which indicates that the facsimile transmission was sent in its entirety to the facsimile number of the recipient notified for the purpose of this rule.

9.5 Option Holders shall be entitled to receive copies of all notices and documents sent by the Company to the Shareholders generally.

9.6 The Company shall at all times keep available for allotment enough unissued Shares to satisfy all Options for the time being unexercised and Offers which are outstanding.

## 10. **VARIATIONS AND TERMINATION**

10.1 Subject to rule 10.3, the Board may from time to time at its absolute discretion waive or amend any of the rules as they deem desirable, provided that, except with the prior sanction of the Shareholders and the Phoenix Shareholders (for so long as the Company remains a subsidiary of Phoenix) in general meetings:

- (a) no alteration to any of the matters set out in Rule 23.03 of the GEM Listing Rules or Rule 17.03 of the Main Board Listing Rules (as the case may be) shall be made to the advantage of Option Holders or Eligible Persons;
- (b) no alteration to the definition of "Eligible Person"; and
- (c) no alteration to the terms and conditions of the Scheme which are of a material nature or any change to the terms of Options granted may be made, except where the alterations take effect automatically under the existing terms of the Scheme,

provided that for so long as the Company remains a subsidiary of Phoenix, the amended terms must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules or Chapter 17 of the Main Board Listing Rules (as the case may be).

- 10.2 No amendments to the Scheme shall be made which would have the effect of abrogating or altering adversely any of the subsisting rights of Option Holders except with any consent on their part as would be required under the provisions of the Company's constitutional documents as if the Options constituted a separate class of share capital and as if the relevant provisions are applied mutatis mutandis.
- 10.3 Any change to the authority of the Board in relation to any alteration to the terms of the Scheme must be approved by the Shareholders and the Phoenix Shareholders (for so long as the Company remains a subsidiary of Phoenix) in general meetings.
- 10.4 The Company by an ordinary resolution of the Shareholders and an ordinary resolution of the Phoenix Shareholders (for so long as the Company remains a subsidiary of Phoenix) in general meetings may at any time terminate the operation of the Scheme and in such event no further Offers will be made but in all other respects the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme and Options granted prior to such termination shall continue to be valid and exercisable in accordance with these rules.

11. **GOVERNING LAW AND JURISDICTION**

The Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.

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Schedule I

[Date]

Phoenix New Media Limited  
Attn: Company Secretary

Dear Sir,

Share Option Scheme

I hereby give notice that the share option granted to me under the Share Option Scheme of Phoenix New Media Limited (the "Scheme") is hereby exercised in respect of [ ] Shares. Words and expressions defined in the rules of the Scheme (the "Rules") shall have the same meanings in this letter.

[As I am a national of or resident in [the PRC] [or such other country or jurisdiction as the Board has determined and notified to the Option Holders], this notice is required to be accompanied by an undertaking complying with the Rules.]\* [Such undertaking is set out below, and therefore the share option to which this notice relates is deemed to be an Option.] [Such undertaking is not set out below, and therefore the share option to which this notice relates is deemed to be a Sale Option.]\*

[I enclose the remittance of [HK\$ ], being the Subscription Price.]\* [I hereby undertake to the Company that the funds representing the Subscription Price were obtained in accordance with the applicable laws and regulations.]\* [I request that, subject to allotment of such Shares being made to me, my name and particulars as set out below be entered in the register of members of the Company as the holder of such Shares:-

Name : [ ]

Address : [ ]

Occupation : [ ]\*\*

I hereby [warrant and represent that [the exercise of the Option in accordance with this notice, the issue of Shares pursuant thereto, the registration of myself as the holder of the Shares, the exercise and enjoyment of the rights attaching to such Shares and the performance of the obligations of the Company and myself under the Scheme]\* [the exercise of the Sale Option in accordance with this notice, the payment of the Sale Price and the performance of the obligations of the Company and myself under the Scheme] complies with all applicable laws, enactments and regulations to which I am subject and have obtained all necessary consents hereunder.\*

Yours faithfully,

\_\_\_\_\_  
[name of Option Holder]

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\* Please amend this notice appropriately to reflect:

- (a) that you are not a PRC national or resident, or national or resident of another country or jurisdiction which the Board has nominated, or if you are, that the notice includes the required undertaking, and accordingly, the share option is an Option as defined in the Rules; or
- (b) that you are a PRC national or resident, or national or resident of such other country or jurisdiction as the Board has nominated, that the notice is not accompanied by the required undertaking, and accordingly the share option is a Sale Option as defined in the Rules.



**EFFECTIVE DATE: MARCH 15, 2011**

**PHOENIX NEW MEDIA LIMITED**

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**RULES OF THE  
RESTRICTED SHARE UNIT AND RESTRICTED SHARE SCHEME**

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**PHOENIX NEW MEDIA LIMITED**

**RULES OF THE RESTRICTED SHARE UNIT AND RESTRICTED SHARE SCHEME**

**1 PURPOSE OF THE SCHEME**

The purpose of the Scheme is to recognize the contribution or potential contribution of executives, employees and directors of the Company and/or any Affiliate (as defined below) by granting Awards (as defined below) to them as incentives or rewards.

The Administrative Committee (as defined below) may grant Restricted Share Units (as defined below) and/or Restricted Shares (as defined below) in such amounts and subject to such terms and conditions as the Administrative Committee may determine. An Award of Restricted Share Unit(s) shall consist of a promise of the Company to issue or deliver one or more Share(s) on a specified date for no consideration other than the provision of services (or such minimum payment as may be required by applicable law unless such is paid by the Company) or for such other consideration as the Administrative Committee may specify in connection with the grant subject to the terms of this Scheme and of the Award (if any). An award of Restricted Shares shall consist of the issuance and delivery of Restricted Shares for no consideration other than the provision of services (or such minimum payment as may be required by applicable law unless such is paid by the Company) or for such other consideration as the Administration Committee may specify in connection with the grant subject to the terms of this Scheme and of the Award (if any).

**2 DEFINITIONS AND INTERPRETATION**

2.1 In these rules, unless the context otherwise requires, the following words and expressions shall have the respective meanings set out opposite them:

“Administrative Committee”	The committee authorized by the board of Directors of the Company to administer the operation of the Scheme;
“Affiliate”	any company which is (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder of the Company; or (e) a company controlled by a controlling shareholder of the Company; or (f) a company controlled by the Company; or (g) an associated company of a holding company of the Company; or (h) an associated company of the Company;
“associate”	shall have the meaning ascribed to it under Rule 1.01 of the Listing Rules in relation to any director, chief executive or substantial shareholder (in each case

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	being an individual);
“Award”	Restricted Shares and/or Restricted Share Units granted pursuant to the terms of the Scheme to an Eligible Person;
“Award Holder”	a person holding an Award;
“Board”	the board of Directors for the time being or a duly authorized committee thereof;
“business day”	a day on which the Main Board is open for the business of dealing in securities;
“chief executive”	shall have the meaning ascribed to it under Rule 1.01 of the Listing Rules;
“Class A ordinary shares”	the Class A ordinary shares of the Company, par value US\$0.01 per share (or such other amount

	as such Class A ordinary share(s) may be divided or consolidated or converted into), to be authorized under the Company’s second amended and restated articles of association that will become effective immediately prior to the completion of the Initial Public Offering;
“Class B ordinary shares”	the Class B ordinary shares of the Company, par value US\$0.01 per share (or such other amount as such Class A ordinary share(s) may be divided or consolidated or converted into), to be authorized under the Company’s second amended and restated articles of association that will become effective immediately prior to the completion of the Initial Public Offering;
“Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands and includes any amendment, consolidation or re-enactment thereof from time to time;
“Company”	Phoenix New Media Limited, a company incorporated in the Cayman Islands, an indirect subsidiary of Phoenix as at the date of adoption of the Scheme;
“Directors”	the directors of the Company from time to time;
“Effective Date”	the date on which the Scheme is adopted by an ordinary resolution of the Company in a general

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	meeting;
“Eligible Person”	any executive, employee or director of the Company or any Affiliate;
“GEM”	the Growth Enterprise Market operated by the Stock Exchange;
“Group”	Phoenix and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Initial Public Offering”	the initial public offering of American depositary shares, representing Class A ordinary shares, of the Company;
“Listing Rules”	the Main Board Listing Rules applicable to the Company from time to time;
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the option market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM;
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Offer”	an offer to grant an Award made in accordance with Rule 3.1;
“Ordinary Share(s)”	means ordinary share(s) of US\$0.01 each (or such other amount as such ordinary share(s) may be divided or consolidated or converted into) of the Company prior to the completion of the Initial Public Offering, and means Class A ordinary shares and Class B ordinary shares of the Company, collectively, after the completion of the Initial Public Offering;
“Period of Restriction”	shall have the meaning ascribed to it in Rule 5.2;
“Phoenix”	Phoenix Satellite Television Holdings Limited, an exempted company incorporated in the Cayman Islands;
“Phoenix Shareholder”	the registered holder of issued share(s) of Phoenix from time to time;

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“PRC”	the People’s Republic of China, which shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“Relevant Event”	any variation in the share capital of the Company arising from any reduction, sub-division or consolidation of share capital, any rights issue or the issue of any share capital (including any securities convertible into share capital or warrants or options to subscribe for any share capital but excluding any share option, restrictive share unit or restricted share granted pursuant to any share option or restricted share unit and restricted share scheme of the Company) by way of capitalisation of profits or reserves or in connection with an offer made pro rata to the Shareholders except where share capital is issued as consideration or part consideration in a transaction.
“Restricted Share”	a Share granted to an Eligible Person pursuant to the terms hereof, which Share is subject to applicable vesting, transfer, forfeiture and such other restrictions as provided hereunder and, if



	applicable, in the letter of grant of such Share;
“Restricted Share Unit”	an unsecured promise of the Company to issue and deliver a Share on a specified date, which unit is subject to applicable vesting, transfer, forfeiture and such other restrictions as provided hereunder and, if applicable, in the letter of grant of such unit;
“Scheme”	means this equity incentive scheme, as amended from time to time;
“Scheme Period”	the period commencing on the Effective Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof;
“Share(s)”	means ordinary share(s) of US\$0.01 each (or such other amount as such ordinary share(s) may be divided or consolidated or converted into) of the Company prior to the completion of the Initial Public Offering, and means Class A ordinary shares after the completion of the Initial Public Offering;
“Shareholder”	the registered holder of issued Ordinary Share(s) from time to time;

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“US\$”	United States dollars.

- 2.2 References to the singular include the plural, references to any one gender include every gender, references to persons include bodies corporate and unincorporated; and (in each case) vice versa.
- 2.3 References to these rules are to the rules constituting the Scheme.
- 2.4 Headings used in these rules are for convenience only and shall not affect their interpretation.
- 2.5 References to any statute or statutory provision or the Listing Rules shall be construed as references to such statute or statutory provision or the Listing Rules as respectively amended, consolidated or re-enacted, or as its operation is modified by any other statute or statutory provision (whether with or without modification) or regulatory bodies, and shall include any subsidiary legislation enacted under the relevant statute.

### **3 OFFER OR GRANT OF AWARDS**

- 3.1 Subject to these rules and for so long as the Company remains a subsidiary of Phoenix, subject also to the Listing Rules, the Administrative Committee may during the Scheme Period at its absolute discretion (subject to any terms and conditions as it may think fit) make an Offer (in such form as the Administrative Committee may from time to time determine but which shall in any event be in writing) or grant of Awards to an Eligible Person. The eligibility of the Eligible Persons is determined by the Administrative Committee with reference to the Eligible Persons’ past and expected commitment and contribution to the Company and/or the Affiliates.
- 3.2 Any proposed Offer or grant of Awards to a director (including an independent non-executive director), chief executive or substantial shareholder (as such terms are defined in the Listing Rules) of Phoenix or any subsidiary thereof or any of their respective associates, for so long as the Company remains a subsidiary of Phoenix, must be approved by all independent non-executive directors of Phoenix (excluding any independent non-executive director of Phoenix who is proposed to be a grantee of such Awards) and shall comply with the relevant requirements of the Listing Rules.
- 3.3 For so long as the Company remains a subsidiary of Phoenix, where any proposed grant of Awards is made to a substantial shareholder (as such term is defined in the Listing Rules) of Phoenix or any subsidiary thereof or any of its associates, such grant of Awards shall comply with the relevant requirements of the Listing Rules.
- 3.4 For so long as the Company remains a subsidiary of Phoenix and subject to any applicable requirements of the Listing Rules, unless the shareholders of the Company shall otherwise approve, the sum of the total number of Shares which may be issued upon vesting of all

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Restricted Share Units and the total number of Restricted Shares which may be issued under the Scheme shall not in aggregate exceed 29,059,158 Shares (the “Limit”); provided that the Limits plus the number of share options granted and unvested under the Share Options Scheme effective in June 2008 shall in no event exceed 96,000,000 Shares.

- 3.5 For so long as the Company remains a subsidiary of Phoenix, the Offer or grant of Awards, the issuing of the Shares upon the vesting of the Restricted Share Units granted under the Scheme and the issuing of the Restricted Shares offered under the Scheme as described in Rule 3.4 shall be subject to Phoenix fulfilling the necessary requirements of the Stock Exchange and the Listing Rules, if any.
- 3.6 Notwithstanding any provisions provided in this Scheme, the Board may resolve to capitalize any sum for the time being standing to the credit of any of the reserve accounts, share premium account or to the credit of the retained earnings or profit and loss account or funds legally available by applying such sum in paying up unissued Shares to be awarded to Eligible Persons.

### **4 ACCEPTANCE OF OFFERS OF AWARDS**

- 4.1 An Offer may be accepted in whole or in part by an Eligible Person returning to the secretary of the Company, by 5:00 p.m. on the date specified in the Offer as the latest date for acceptance, the duplicate of the Offer document or other instrument in writing, duly signed by the Eligible Person. Once accepted, the Award shall be deemed to have been granted from the date on which it was offered to the relevant Eligible Person. The Administrative Committee may (but shall not be obliged to) issue Award certificates to Award Holders in such form as they may determine from time to time.
- 4.2 All Offers and Awards shall be personal to the person to whom it was made or granted and shall not be transferable or assignable and no Eligible Person to whom an Offer was made or Award Holder shall sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favor of any third party over or in relation to any Offer or Award or enter into any agreement so to do; *provided, however*, that the Administrative Committee may, in its discretion and subject to such terms and conditions as it shall specify, permit the transfer of an Award for no consideration to an Eligible Person's family members or to one or more trusts or partnerships established in whole or in part for the benefit of one or more of such family members (collectively, "Permitted Transferees"). Any Award transferred to a Permitted Transferee shall be further transferable only by will or the laws of descent and distribution or, for no consideration, to another Permitted Transferee of the Eligible Person. The Company will be deemed to have withdrawn any Offer made to an Eligible Person upon any breach of the foregoing. All outstanding unvested Awards granted to an Award Holder or vested Awards granted to an Award Holder but pursuant to which Shares have not yet been issued shall lapse upon any breach by him of the foregoing and any Restricted Shares issued to such an Award Holder which have not vested may be repurchased at no consideration by the Company.
- 4.3 Offers not accepted within the period for acceptance specified in the Offer shall lapse.

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## **5 OFFER OF RESTRICTED SHARES**

- 5.1 The Administrative Committee may offer Restricted Shares in such amounts and subject to such terms and conditions as the Administrative Committee may determine. In the event that a certificate is issued in respect of Restricted Shares, such certificate may be registered in the name of the grantee but will be held by the Company or its designated agent until the Restricted Shares have vested.
- 5.2 Notwithstanding Rule 6.5, unless the Administrative Committee determines otherwise in an award agreement in respect of a grant, from the date of issue thereof until the date on which such Restricted Shares vest (the "Period of Restriction"), all ordinary cash dividends (as determined by the Administrative Committee in its sole discretion) paid upon any Restricted Share will be retained by the Company for the account of the relevant grantee. Such dividends will revert back to the Company if for any reason the Restricted Share upon which such dividends were paid reverts back to the Company. Upon the expiration of the Period of Restriction, all such dividends made on such Restricted Share and retained by the Company will be paid to the relevant grantee (without interest). Unless the applicable award agreement provides otherwise, additional Shares or other property distributed to the grantee in respect of Restricted Shares, as dividends or otherwise, will be subject to the same restrictions applicable to such Restricted Shares.

## **6 VESTING OF AWARDS**

- 6.1 Awards granted under the Scheme shall be subject to the following vesting schedule, unless otherwise provided in the terms of the Awards granted: in respect of the new grants thereof, a total of four years, the starting date of which shall be determined by the Administrative Committee based on the employment starting date of the grantee, which date shall in no event be earlier than April 1, 2009; and in the event the first-year vesting requirements are met, the remaining Awards shall vest upon every six-month anniversary thereafter.
- 6.2 Within a reasonable time after the vesting criteria and conditions have been fulfilled, satisfied or waived, the Administrative Committee shall send a vesting notice to the relevant Award Holder. Such notice will confirm the extent to which the vesting criteria and conditions have been fulfilled, satisfied or waived, and, in the case of a Restricted Share Unit, the number of Shares the relevant Award Holder will receive.

Unless otherwise agreed between the Company and the Award Holder, Shares in respect of a vested Restricted Share Unit shall be allotted and issued and, subject to Rule 3.6, credited as fully paid by the Company using reasonable efforts but in any event within 30 days of the date upon which a Restricted Share Unit has vested.

- 6.3 The Award Holder shall be solely liable to pay all taxes and other levies which may be assessed or assessable on any payments made by the Company hereunder and/or relating to the vesting of an Award and the issuance or repurchase of Shares hereunder. All payments required to be made hereunder by the Company shall be subject to the deduction or

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withholding of such amounts as the Administrative Committee may reasonably determine is necessary or desirable by reason of any liability to tax or obligation to account for tax or loss of any relief from tax which may fall on the Group in respect of, or by reason of such payment or the vesting, issuing or repurchase of the relevant Award or Shares hereunder, and the Award Holder agrees to indemnify and keep the Company (for itself and as trustee for other companies within the Group) indemnified in respect of any such liability, obligation or loss and accepts that any claim in respect of such indemnity may be satisfied by set-off against any sums due from the Group to such Award Holder from time to time.

- 6.4 For the avoidance of doubt, Shares issued upon the vesting of a Restricted Share Unit shall not carry voting rights until such Shares are entered in the register of members of the Company.
- 6.5 Restricted Shares and the Shares to be allotted and issued upon the vesting of a Restricted Share Unit will, subject to Rule 5.2 in the case of Restricted Shares, rank *pari passu* with the fully paid Shares in issue and, subject as aforesaid, accordingly will entitle the relevant Award Holder to participate in all dividends or other distributions paid or made on or after the date when such Shares are entered in the register of members of the Company. For the avoidance of doubt, such entitlement to participate in all dividends or other distributions paid or made shall not include the entitlement to participate in any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date when such Shares are entered in the register of members of the Company.
- 6.6 If an Award Holder ceases to be an Eligible Person:

- (a) by reason of ill-health, injury, disability or death (all evidenced to the satisfaction of the Administrative Committee), then in the case of Restricted Share Units, any outstanding and unvested Offer and Restricted Share Unit granted to him shall lapse and all his Restricted Share Units (to the extent vested but Shares under which have not already been issued) up to his entitlement at the date of such ill health, injury, disability, death or cessation shall be issued to him or (as the case may be) his personal representative(s) pursuant to the Rules hereunder and in the case of Restricted Shares, any outstanding Offer to him shall lapse and all his Restricted Shares (to the extent not vested) may be repurchased at no consideration by the Company;
- (b) by reason of retirement in accordance with his contract of employment or upon expiration of his term of directorship, then in the case of Restricted Share Units, any outstanding and unvested Offer and Restricted Share Unit granted to him shall lapse and all his Awards (to the extent vested but Shares under which have not already been issued) up to his entitlement at the date of such retirement or expiration shall be issued to him pursuant to the Rules hereunder and in the case of Restricted Shares, any outstanding Offer to him shall lapse and all his Restricted Shares (to the extent not vested) may be repurchased at no consideration by the Company;

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- (c) by reason of voluntary resignation other than by reason of the circumstances set out in Rules 6.6(a) and 6.6(b), in the case of Restricted Share Units, any outstanding and unvested Offer and Restricted Share Unit granted to him shall lapse and all the Shares to which his Restricted Share Units relate (to the extent vested but Shares under which have not already been issued) shall be issued to him or (as the case may be) his personal representative(s) pursuant to the Rules hereunder and in the case of Restricted Shares, any outstanding Offer to him shall lapse and all his Restricted Shares (to the extent not vested) may be repurchased at no consideration by the Company;
- (d) by reason of termination of his employment for serious misconduct or in accordance with the termination provisions of his contract of employment by his employing company otherwise than by reason of redundancy, then in the case of Restricted Share Units, any outstanding and unvested Offer and Restricted Share Unit granted to him shall lapse and all his Restricted Share Units (to the extent vested but Shares under which have not been issued) shall lapse and determine on the date of such termination, and in the case of Restricted Shares, any outstanding Offer to him shall lapse on the date of such termination and all his Restricted Shares (to the extent not vested) may be repurchased at no consideration by the Company;
- (e) by reason of termination of such other contract or agreement constituting him an Eligible Person for the Award Holder's breach of the terms thereof or in accordance with the termination provisions of such contract or agreement by any contracting party, then in the case of Restricted Share Units, any outstanding and unvested Offer and Restricted Share Unit granted to him shall lapse and all his Restricted Share Units (to the extent vested but Shares under which have not been issued) shall lapse and determine on the date of such termination, and in the case of Restricted Shares, any outstanding Offer to him shall lapse on the date of such termination and all his Restricted Shares (to the extent not vested) may be repurchased at no consideration by the Company; and
- (f) for any reason other than as described in Rules 6.6(a), 6.6(b), 6.6(c), 6.6(d) and 6.6(e), then in the case of Restricted Share Units, relevant Shares under any vested Restricted Share Units at the date he ceases to be an Eligible Person shall be issued to him and any outstanding and unvested Offer and Restricted Share Unit to him shall lapse and determine on the date of such cessation, and in the case of Restricted Shares, any outstanding Offer to him shall lapse and determine on the date of such cessation and all his Restricted Shares (to the extent not vested) may be repurchased at no consideration by the Company,

provided always that in each case the Administrative Committee at its absolute discretion may decide that such Awards shall not so lapse (or be repurchased) or determine subject to such conditions or limitations as the Administrative Committee may decide.

In this connection, the Administrative Committee may require an Award Holder to supply such documents and/or information as the Administrative Committee may at its absolute discretion consider necessary for ascertaining as to whether and when such Award Holder

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has ceased to be an Eligible Person. The Company shall only use all such documents and/or information for the above purpose but not otherwise. For the avoidance of doubt, the Company shall be entitled to withhold from proceeding with the vesting or the issuing of any Award or the issue of Shares (if applicable) thereunder unless and until he has provided the requested documents and/or information to the satisfaction of the Administrative Committee.

- 6.7 Any Award granted may be cancelled if the Company and the Award Holder agree in writing and in the case of Restricted Shares, the Company may repurchase at no consideration the relevant Restricted Shares upon such cancellation. Issuance of new Awards may only be made if there are unissued Awards available under the Scheme (excluding the cancelled and lapsed Awards) and in compliance with the terms of the Scheme.

## **7 TAKEOVER OFFERS, LIQUIDATION AND RECONSTRUCTION**

- 7.1 If a general offer (other than by way of scheme of arrangement pursuant to Rule 7.2) is made to all Shareholders or, for so long as the Company remains a subsidiary of Phoenix, to all Phoenix Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), the Company shall forthwith give notice thereof (the "Notice of General Offer") to all Award Holders that, immediately after such offer becomes or is declared unconditional, all Awards (to the extent not already vested) shall vest to its full extent regardless of any vesting period requirements (if any) or to the extent notified by the Company (if applicable). All outstanding Offers and Awards shall lapse upon the close of such offer (or any revised offer) unless the Company has specified in the Notice of General Offer that all outstanding Offers and Awards shall remain valid notwithstanding the general offer. Any outstanding Offer or Award surviving such general offer (or revised offer) shall continue to be bound by the terms of the relevant Offer and the Scheme.

- 7.2 If a general offer by way of scheme of arrangement is made to all Shareholders or, for so long as the Company remains a subsidiary of Phoenix, to all Phoenix Shareholders, and has been approved by the necessary number of Shareholders or Phoenix Shareholders (as the case may be) at the requisite meetings, the Company shall forthwith give notice thereof (the "Notice of Scheme of Arrangement") to all Award Holders that their Awards shall vest

immediately to its full extent regardless of any vesting period requirements (if any) or to the extent notified by the Company (if applicable). All outstanding Offers and Awards shall lapse upon expiry of the period specified by the Company in the Notice of Scheme of Arrangement unless the Company has specified in such notice that all outstanding Offers and Awards shall remain valid notwithstanding the scheme of arrangement. Any outstanding Offer or Award surviving such scheme of arrangement shall continue to be bound by the terms of the relevant Offer and the Scheme.

- 7.3 If notice is duly given by the Company to its members to convene a general meeting at which a resolution will be proposed to voluntarily wind up the Company, the Company shall give notice thereof to all Award Holders on the same date (containing an extract of the provisions

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of this Rule) as it dispatches such notice to each member of the Company, and all of his Awards shall be treated to have vested immediately before the passing of such resolution to its full extent regardless of any vesting period requirements (if any) or to the extent notified by the Company (if applicable).

- 7.4 If under the Companies Law a compromise or arrangement between the Company and the Shareholders or between the Company and its creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all Award Holders on the same date as it dispatches the notice which is sent to each Shareholder or creditor of the Company summoning the meeting to consider the compromise or arrangement, and all his unvested Awards shall be treated to have vested immediately before any compromise or arrangement has become effective either to its full extent regardless of any vesting period requirements (if any) or to the extent notified by the Company (if applicable). All outstanding Offers and Awards shall lapse upon the compromise or arrangement becoming effective unless the Company has specified in such notice that all outstanding Offers and Awards shall remain valid notwithstanding the compromise or arrangement. Any outstanding Offer or Award surviving such compromise or arrangement shall continue to be bound by the terms of the relevant Offer and the Scheme.
- 7.5 Subject to Rules 7.1 to 7.4 above, all outstanding and unvested Offers and Awards and vested Awards where Shares thereupon have not yet been issued shall lapse on the date of commencement of winding up of the Company, and Restricted Shares that have been issued but have not yet vested may be repurchased by the Company at no consideration.
- 7.6 In no circumstances shall the lapse, cancellation or repurchase of Offers or Awards under the terms of the Scheme entitle an Eligible Person or an Award Holder to any compensation for or in respect of any consequent diminution or extinction of his rights or benefits (actual or prospective) under any Awards then held by him or any Offer or otherwise in connection with the Scheme.

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## **8 ADJUSTMENTS**

- 8.1 Upon the occurrence of any Relevant Event, the number or nominal value of Shares comprised in each Restricted Share Unit thereunder and/or the Limit may be adjusted in any manner as the Board may deem appropriate provided always that:
- (a) any adjustment should give an Award Holder of Restricted Share Units the same proportion of the share capital of the Company as that to which he was previously entitled prior to such adjustments;
  - (b) no adjustments shall be made which will enable a Share to be issued at less than its nominal value;
  - (c) any adjustment so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issues by the Stock Exchange; and
  - (d) where the Relevant Event arises from an issue of Shares, reference herein to Restricted Share Units shall include references to Restricted Share Units that have vested but Shares have not yet been issued thereunder prior to the date of the adjustment in respect of Shares which pursuant to Rule 6.5 do not rank and are not entitled to participate in this issue.
- 8.2 Notice of any adjustments shall be given to the Award Holders of Restricted Share Units by the Company, which may, but need not, call in Restricted Share Unit certificates for endorsement or replacement (if applicable).

## **9 ADMINISTRATION**

- 9.1 The Scheme shall be administered by the Administrative Committee whose decision on all matters arising in relation to the Scheme, these Rules or their interpretation or effect shall (save as otherwise provided herein) be final and binding on all persons who may be affected thereby. The Administrative Committee may delegate some or all of its authority under the Scheme to an individual or individuals who may either be one or more of the members of the Administrative Committee or one or more of the officers of the Company or its subsidiaries.
- 9.2 The Administrative Committee shall have power from time to time to make or vary regulations for the administration and operation of the Scheme, provided that the same are not inconsistent with these Rules and the Listing Rules.
- 9.3 The costs of introducing and administering the Scheme shall be borne by the Company.
- 9.4 Notices or other communications required to be given to an Eligible Person or to an Award Holder shall either be delivered to him personally or sent to him by pre-paid post at his correspondence address according to the records of the Group or sent to him by facsimile transmission at his place of work or to such facsimile number as provided from time to time.

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Notices or other communications to be given by any Eligible Person or Award Holder to the Company shall be delivered personally, or sent by pre-paid post or by facsimile transmission to its office in Beijing or as notified by the Company from time to time. Such notices or communications shall be deemed to have been received:

- (a) if by delivery in person, when delivered to the addressee;
- (b) if by post in the case of a letter, on the second business day following posting if the address is in Hong Kong and on the seventh business day following posting if the address is outside Hong Kong; and
- (c) if by facsimile transmission, on production of a transmission report by the machine from which the facsimile transmission was sent which indicates that the facsimile transmission was sent in its entirety to the facsimile number of the recipient notified for the purpose of this Rule.

9.5 Award Holders shall be entitled to receive copies of all notices and documents sent by the Company to the Shareholders generally.

9.6 The Company shall at all times keep available for allotment enough unissued Shares to satisfy all Awards for the time being vested and Shares under which have not yet been issued and Offers and Awards which are outstanding and unvested.

## **10 VARIATIONS AND TERMINATION**

10.1 Subject to Rule 10.3, the Administrative Committee may from time to time at its absolute discretion waive or amend any of the Rules as they deem desirable, provided that, except with the prior approval of the Shareholders in general meetings:

- (a) no alteration to the definition of "Eligible Person"; and
- (b) no alteration to the terms and conditions of the Scheme which are of a material nature or any change to the terms of Awards granted may be made, except where the alterations take effect automatically under the existing terms of the Scheme,

provided that for so long as the Company remains a subsidiary of Phoenix, the amended terms must still comply with the relevant requirements of the Listing Rules and be subject to the approval of Phoenix.

10.2 No amendments to the Scheme shall be made which would have the effect of abrogating or altering adversely any of the subsisting rights of Award Holders except with any consent on their part as would be required under the provisions of the Company's constitutional documents as if the Awards constituted a separate class of share capital and as if the relevant provisions are applied mutatis mutandis.

10.3 Any change to the authority of the Administrative Committee in relation to any alteration to the terms of the Scheme must be approved by the Shareholders and the Phoenix Shareholders (for so long as the Company remains a subsidiary of Phoenix) in general meetings.

10.4 The Company by an ordinary resolution of the Shareholders in general meetings may at any time terminate the operation of the Scheme and in such event no further Offers will be made but in all other respects the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting of any Awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme and Awards granted prior to such termination shall continue to be valid and exercisable in accordance with these Rules.

## **11 GOVERNING LAW AND JURISDICTION**

The Scheme and all Awards granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.

## INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this “**Agreement**”) is made as of \_\_\_\_\_, 2011, by and between Phoenix New Media Limited, an exempted company duly incorporated and validly existing under the laws of the Cayman Islands (the “**Company**”), and \_\_\_\_\_ (the “**Indemnitee**”), [a director/an officer] of the Company.

WHEREAS, the Indemnitee has agreed to serve as [a director/an officer] of the Company and in such capacity will render valuable services to the Company; and

WHEREAS, in order to induce and encourage highly experienced and capable persons such as the Indemnitee to serve as directors or officers of the Company or in other capacities, the Board of Directors has determined that this Agreement is reasonable, prudent and necessary to promote and ensure the best interests of the Company and its shareholders;

NOW, THEREFORE, in consideration of the premises and mutual agreements hereinafter set forth, and other good and valuable consideration, including, without limitation, the service of the Indemnitee, the receipt of which hereby is acknowledged, and in order to induce the Indemnitee to serve as [a director/an officer] of the Company, the Company and the Indemnitee hereby agree as follows:

1. **Definitions.** As used in this Agreement:

(a) “**Board of Directors**” shall mean the board of directors of the Company.

(b) “**Change in Control**” shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar or successor schedule or form) promulgated under the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (collectively, the “**Act**”), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred (irrespective of the applicability of the initial clause of this definition) if (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Act, but excluding any trustee or other fiduciary holding securities pursuant to an employee benefit or welfare plan or employee share plan of the Company or any subsidiary of the Company, or any entity organized, appointed, established or holding securities of the Company with voting power for or pursuant to the terms of any such plan) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company’s then outstanding securities without the prior approval of at least two-thirds of the Continuing Directors (as defined below) in office immediately prior to such person’s attaining such interest; (ii) the Company is a party to a merger, consolidation, scheme of arrangement, sale of assets or other reorganization, or a proxy contest, as a consequence of which Continuing Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors of the Company (or any successor entity) thereafter; or (iii) during any period of two (2) consecutive years,

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individuals who at the beginning of such period constituted the Board of Directors of the Company (including for this purpose any new director whose election or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) (such directors being referred to herein as “**Continuing Directors**”) cease for any reason to constitute at least a majority of the Board of Directors of the Company.

(c) “**Disinterested Director**” with respect to any request by the Indemnitee for indemnification or advancement of expenses hereunder shall mean a director of the Company who neither is nor was a party to the Proceeding (as defined below) in respect of which indemnification or advancement is being sought by the Indemnitee.

(d) The term “**Expenses**” shall mean, without limitation, expenses of Proceedings, including attorneys’ fees, disbursements and retainers, accounting and witness fees, expenses related to the preparation or service as a witness, travel and deposition costs, expenses of investigations, judicial or administrative proceedings and appeals, amounts paid in settlement of a Proceeding by or on behalf of the Indemnitee, costs of attachment or similar bonds, any expenses of attempting to establish or establishing a right to indemnification or advancement of expenses, under this Agreement, the Company’s Memorandum of Association and Articles of Association as currently in effect (the “**Articles**”), applicable law or otherwise, and reasonable compensation for time spent by the Indemnitee in connection with the investigation, defense or appeal of a Proceeding or action for indemnification for which the Indemnitee is not otherwise compensated by the Company or any third party. The term “Expenses” shall not include the amount of judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are actually levied against or sustained by the Indemnitee to the extent sustained after final adjudication.

(e) The term “**Independent Legal Counsel**” shall mean any firm of attorneys reasonably selected by the Board of Directors of the Company, so long as such firm has not represented the Company, the Company’s subsidiaries or affiliates, the Indemnitee, any entity controlled by the Indemnitee, or any party adverse to the Company, within the preceding five (5) years. Notwithstanding the foregoing, the term “Independent Legal Counsel” shall not include any person who, under applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee’s right to indemnification or advancement of expenses under this Agreement, the Company’s Articles, applicable law or otherwise.

(f) The term “**Proceeding**” shall mean any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, or any other proceeding (including, without limitation, an appeal therefrom), formal or informal, whether brought in the name of the Company or otherwise, whether of a civil, criminal, administrative or investigative nature, and whether by, in or involving a court or an administrative, other governmental or private entity or body (including, without limitation, an investigation by the Company or its Board of Directors), by reason of (i) the fact that the Indemnitee is or

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was [a director/an officer] of the Company, or is or was serving at the request of the Company as an agent of another enterprise, whether or not the Indemnitee is serving in such capacity at the time any liability or expense is incurred for which indemnification or reimbursement is to be provided under this Agreement, (ii) any actual or alleged act or omission or neglect or breach of duty, including, without limitation, any actual or alleged error or misstatement or misleading statement, which the Indemnitee commits or suffers while acting in any such capacity, or (iii) the Indemnitee attempting to establish or establishing a right to indemnification or advancement of expenses pursuant to this Agreement, the Company's Articles, applicable law or otherwise.

(g) The phrase "**serving at the request of the Company as an agent of another enterprise**" or any similar terminology shall mean, unless the context otherwise requires, serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust, employee benefit or welfare plan or other enterprise, foreign or domestic. The phrase "serving at the request of the Company" shall include, without limitation, any service as [a director/an officer] of the Company which imposes duties on, or involves services by, such [director/officer] with respect to the Company or any of the Company's subsidiaries, affiliates, employee benefit or welfare plans, such plan's participants or beneficiaries or any other enterprise, foreign or domestic. In the event that the Indemnitee shall be a director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust, employee benefit or welfare plan or other enterprise, foreign or domestic, 50% or more of the ordinary shares, combined voting power or total equity interest of which is owned by the Company or any subsidiary or affiliate thereof, then it shall be presumed conclusively that the Indemnitee is so acting at the request of the Company.

2. **Services by the Indemnitee.** The Indemnitee agrees to serve as [a director/an officer] of the Company under the terms of the Indemnitee's agreement with the Company for so long as the Indemnitee is [duly elected and qualified,] appointed or until such time as the Indemnitee tenders a resignation in writing or is removed as [a director/an officer]; provided, however, that the Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or other obligation imposed by operation of law).

3. **Proceeding Other Than a Proceeding By or In the Right of the Company.** The Company shall indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding (other than a Proceeding by or in the right of the Company), by reason of the fact that the Indemnitee is or was [a director/an officer] of the Company, or is or was serving at the request of the Company as an agent of another enterprise, against all Expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in connection with such a Proceeding, to the fullest extent permitted by applicable law; provided, however, that any settlement of a Proceeding must be approved in advance in writing by the Company (which approval

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shall not be unreasonably withheld).

4. **Proceedings By or In the Right of the Company.** The Company shall indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that the Indemnitee is or was [a director/an officer] of the Company, or is or was serving at the request of the Company as an agent of another enterprise, against all Expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in connection with the defense or settlement of such a Proceeding, to the fullest extent permitted by applicable law.

5. **Indemnification for Costs, Charges and Expenses of Witness or Successful Party.** Notwithstanding any other provision of this Agreement (except as set forth in subparagraph 9(a) hereof), and without a requirement for determination as required by Paragraph 8 hereof, to the extent that the Indemnitee (a) has prepared to serve or has served as a witness in any Proceeding in any way relating to (i) the Company or any of the Company's subsidiaries, affiliates, employee benefit or welfare plans or such plan's participants or beneficiaries or (ii) anything done or not done by the Indemnitee as [a director/an officer] of the Company or in connection with serving at the request of the Company as an agent of another enterprise, or (b) has been successful in defense of any Proceeding or in defense of any claim, issue or matter therein, on the merits or otherwise, including the dismissal of a Proceeding without prejudice or the settlement of a Proceeding without an admission of liability, the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee in connection therewith to the fullest extent permitted by applicable law.

6. **Partial Indemnification.** If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for a portion of the Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in the investigation, defense, appeal or settlement of any Proceeding, but not, however, for the total amount of the Indemnitee's Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, then the Company shall nevertheless indemnify the Indemnitee for the portion of such Expenses, judgments, fines, interest penalties or excise taxes to which the Indemnitee is entitled.

7. **Advancement of Expenses.** The Expenses incurred by the Indemnitee in any Proceeding shall be paid promptly by the Company in advance of the final disposition of the Proceeding at the written request of the Indemnitee to the fullest extent permitted by applicable law; provided, however, that the Indemnitee shall set forth in such request reasonable evidence that such Expenses have been incurred by the Indemnitee in connection with such Proceeding, a statement that such Expenses do not relate to any matter described in subparagraph 9(a) of this Agreement, and an undertaking in writing to repay any advances if it is ultimately determined as provided in subparagraph 8(b) of this

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Agreement that the Indemnitee is not entitled to indemnification under this Agreement.

8. **Indemnification Procedure; Determination of Right to Indemnification.**

(a) Promptly after receipt by the Indemnitee of notice of the commencement of any Proceeding, the Indemnitee shall, if a claim for indemnification or advancement of Expenses in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof in writing. The omission to so notify the Company will not relieve the Company from any liability which the Company may have to

the Indemnitee under this Agreement unless the Company shall have lost significant substantive or procedural rights with respect to the defense of any Proceeding as a result of such omission to so notify. The Indemnitee shall be conclusively presumed to have met the relevant standards of conduct, if any, as defined by applicable law, for indemnification pursuant to this Agreement and shall be absolutely entitled to such indemnification, unless a determination by clear and convincing evidence is made that the Indemnitee has not met such standards by (i) the Board of Directors by a majority vote of a quorum thereof consisting of Disinterested Directors, (ii) the shareholders of the Company by majority vote of a quorum thereof consisting of shareholders who are not parties to the Proceeding due to which a claim for indemnification is made under this Agreement, (iii) Independent Legal Counsel as set forth in a written opinion (it being understood that such Independent Legal Counsel shall make such determination only if the quorum of Disinterested Directors referred to in clause (i) of this subparagraph 8(b) is not obtainable or if the Board of Directors of the Company by a majority vote of a quorum thereof consisting of Disinterested Directors so directs), or (iv) a court of competent jurisdiction; provided, however, that if a Change of Control shall have occurred and the Indemnitee so requests in writing, such determination shall be made only by a court of competent jurisdiction.

(b) If a claim for indemnification or advancement of Expenses under this Agreement is not paid by the Company within thirty (30) days after receipt by the Company of written notice thereof, the rights provided by this Agreement shall be enforceable by the Indemnitee in any court of competent jurisdiction. Such judicial proceeding shall be made de novo. The burden of proving by clear and convincing evidence that indemnification or advances are not appropriate shall be on the Company. Neither the failure of the directors or shareholders of the Company or Independent Legal Counsel to have made a determination prior to the commencement of such action that indemnification or advancement of Expenses is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, if any, nor an actual determination by the directors or shareholders of the Company or Independent Legal Counsel that the Indemnitee has not met the applicable standard of conduct shall be a defense to an action by the Indemnitee or create a presumption for the purpose of such an action that the Indemnitee has not met the applicable standard of conduct. The termination of any Proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself (i) create a presumption that the Indemnitee did not act in good faith and in a manner which he reasonably believed to be in the best interests of the Company and/or its shareholders, and, with respect to any

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criminal Proceeding, that the Indemnitee had reasonable cause to believe that his conduct was unlawful or (ii) otherwise adversely affect the rights of the Indemnitee to indemnification or advancement of Expenses under this Agreement, except as may be provided herein. The Company further agrees to stipulate in any such judicial proceeding that the Company is bound by all the provisions of this Agreement and is precluded from making any assertion to the contrary.

(c) If a court of competent jurisdiction shall determine that the Indemnitee is entitled to any indemnification or advancement of Expenses hereunder, the Company shall pay all Expenses actually and reasonably incurred by the Indemnitee in connection with such adjudication (including, but not limited to, any appellate proceedings). The Indemnitee's Expenses incurred in connection with any Proceeding concerning the Indemnitee's right to indemnification or advancement of Expenses in whole or in part pursuant to this Agreement shall also be indemnified by the Company, regardless of the outcome of such a Proceeding, to the fullest extent permitted by applicable law and the Company's Articles. With respect to any Proceeding for which indemnification or advancement of Expenses is requested, the Company will be entitled to participate therein at its own expense and, except as otherwise provided below, to the extent that it may wish, the Company may assume the defense thereof, with counsel reasonably satisfactory to the Indemnitee. After notice from the Company to the Indemnitee of its election to assume the defense of a Proceeding, the Company will not be liable to the Indemnitee under this Agreement for any Expenses subsequently incurred by the Indemnitee in connection with the defense thereof, other than as provided below. The Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on the Indemnitee without the Indemnitee's written consent. The Indemnitee shall have the right to employ his own counsel in any Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense of the Proceeding shall be at the expense of the Indemnitee, unless (i) the employment of counsel by the Indemnitee has been authorized by the Company, (ii) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of the defense of a Proceeding, or (iii) the Company shall not in fact have employed counsel to assume the defense of a proceeding, in each of which cases the fees and expenses of the Indemnitee's counsel shall be advanced by the Company. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which the Indemnitee has reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee.

9. **Limitations on Indemnification.** No payments pursuant to this Agreement shall be made by the Company:

(a) To indemnify or advance funds to the Indemnitee for Expenses with respect to (i) Proceedings initiated or brought voluntarily by the Indemnitee and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under applicable law or (ii) Expenses incurred by the Indemnitee in connection

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with preparing to serve or serving, prior to a Change in Control, as a witness in cooperation with any party or entity who or which has threatened or commenced any action or proceeding against the Company, or any director, officer, employee, trustee, agent, representative, subsidiary, parent corporation or affiliate of the Company, but such indemnification or advancement of Expenses in each such case may be provided by the Company if the Board of Directors finds it to be appropriate;

(b) To indemnify the Indemnitee for any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, and sustained in any Proceeding for which payment is actually made to the Indemnitee under a valid and collectible insurance policy, except in respect of any excess beyond the amount of payment under such insurance;

(c) To indemnify the Indemnitee for any Expenses, judgments, fines, expenses or penalties sustained in any Proceeding for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Act or similar provisions of any foreign or United States federal, state or local statute or regulation;

(d) To indemnify the Indemnitee for any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, for which the Indemnitee is indemnified by the Company otherwise than pursuant to this Agreement;

(e) To indemnify the Indemnitee for any Expenses (including without limitation any Expenses relating to a Proceeding attempting to enforce this Agreement), judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, on account of the



Indemnitee's conduct if such conduct shall be finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct, including, without limitation, breach of the duty of loyalty; or

(f) If a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful.

10. **Continuation of Indemnification.** All agreements and obligations of the Company contained herein shall continue during the period that the Indemnitee is [a director/an officer] of the Company (or is or was serving at the request of the Company as an agent of another enterprise, foreign or domestic) and shall continue thereafter so long as the Indemnitee shall be subject to any possible Proceeding by reason of the fact that the Indemnitee was [a director/an officer] of the Company or serving in any other capacity referred to in this Paragraph 10.

11. **Indemnification Hereunder Not Exclusive.** The indemnification provided by this Agreement shall not be deemed to be exclusive of any other rights to which the Indemnitee may be entitled under the Company's Articles, any agreement, vote of shareholders or vote of Disinterested Directors, provisions of applicable law, or otherwise,

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both as to action or omission in the Indemnitee's official capacity and as to action or omission in another capacity on behalf of the Company while holding such office.

12. **Successors and Assigns.**

(a) This Agreement shall be binding upon, and shall inure to the benefit of, the Indemnitee and the Indemnitee's heirs, executors, administrators and assigns, whether or not the Indemnitee has ceased to be [a director/an officer] of the Company, and the Company and its successors and assigns. Upon the sale of all or substantially all of the business, assets or share capital of the Company to, or upon the merger of the Company into or with, any corporation, partnership, joint venture, trust or other person, this Agreement shall inure to the benefit of and be binding upon both the Indemnitee and such purchaser or successor person. Subject to the foregoing, this Agreement may not be assigned by either party without the prior written consent of the other party hereto.

(b) If the Indemnitee is deceased and is entitled to indemnification under any provision of this Agreement, the Company shall indemnify the Indemnitee's estate and the Indemnitee's spouse, heirs, executors, administrators and assigns against, and the Company shall, and does hereby agree to assume, any and all Expenses actually and reasonably incurred by or for the Indemnitee or the Indemnitee's estate, in connection with the investigation, defense, appeal or settlement of any Proceeding. Further, when requested in writing by the spouse of the Indemnitee, and/or the Indemnitee's heirs, executors, administrators and assigns, the Company shall provide appropriate evidence of the Company's agreement set out herein to indemnify the Indemnitee against and to itself assume such Expenses.

13. **Subrogation.** In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

14. **Severability.** Each and every paragraph, sentence, term and provision of this Agreement is separate and distinct so that if any paragraph, sentence, term or provision thereof shall be held to be invalid, unlawful or unenforceable for any reason, such invalidity, unlawfulness or unenforceability shall not affect the validity, unlawfulness or enforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Agreement may be modified by a court of competent jurisdiction to preserve its validity and to provide the Indemnitee with the broadest possible indemnification permitted under applicable law. The Company's inability, pursuant to a court order or decision, to perform its obligations under this Agreement shall not constitute a breach of this Agreement.

15. **Savings Clause.** If this Agreement or any paragraph, sentence, term or provision hereof is invalidated on any ground by any court of competent jurisdiction, the Company shall nevertheless indemnify the Indemnitee as to any Expenses, judgments, fines,

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interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are incurred with respect to any Proceeding to the fullest extent permitted by any (a) applicable paragraph, sentence, term or provision of this Agreement that has not been invalidated or (b) applicable law.

16. **Interpretation; Governing Law.** This Agreement shall be construed as a whole and in accordance with its fair meaning and any ambiguities shall not be construed for or against either party. Headings are for convenience only and shall not be used in construing meaning. This Agreement shall be governed and interpreted in accordance with the laws of the Cayman Islands without regard to the conflict of laws principles thereof.

17. **Amendments.** No amendment, waiver, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by the party against whom enforcement is sought. The indemnification rights afforded to the Indemnitee hereby are contract rights and may not be diminished, eliminated or otherwise affected by amendments to the Company's Articles, or by other agreements, including directors' and officers' liability insurance policies, of the Company.

18. **Counterparts.** This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to the other.

*[The remainder of this page is intentionally left blank]*

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IN WITNESS WHEREOF, the parties have executed this Indemnification Agreement as of the date first written above.

INDEMNITEE

\_\_\_\_\_

Name:

PHOENIX NEW MEDIA LIMITED

By: \_\_\_\_\_

Name:

Title:

**Exclusive Equity Option Agreement**

**of Beijing Tianying Jiuzhou Network Technology Co., Ltd.**

**by and among**

**Qiao Hai Yan,**

**Gao Xi Min,**

**Beijing Tianying Jiuzhou Network Technology Co., Ltd.,**

**and**

**Fenghuang On-line (Beijing) Information Technology Co., Ltd.**

**December 31, 2009**

**Exclusive Equity Option Agreement**

This Exclusive Equity Option Agreement (the "Agreement") is entered into by the following parties on December 31, 2009 in Beijing, the People's Republic of China ("PRC" or "China"):

- (1) Qiao Hai Yan, a PRC citizen (ID No.: \_\_\_\_\_);
- (2) Gao Xi Min, a PRC citizen (ID No.: \_\_\_\_\_);

(Qiao Hai Yan and Gao Xi Min are referred to hereinafter individually as an "Existing Shareholder" and collectively as "Existing Shareholders")

- (3) Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Fenghuang On-line"), with its registered address at Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China; and
- (4) Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("Tianying Jiuzhou"), with its registered address at Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China.

(Each of the foregoing parties is referred to hereinafter individually as a "Party" and collectively as "Parties".)

**WHEREAS:**

- (1) Existing Shareholders are the shareholders on record of Tianying Jiuzhou and hold all the equity interests in it; and as of the date hereof, the amount of capital contributed and the percentage of shares held by each Existing Shareholder in the Tianying Jiuzhou Registered Capital (as defined below) are as set forth in Exhibit 1 hereto;
- (2) Subject to the PRC Law, each Existing Shareholder intends to transfer to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line, and Fenghuang On-line intends to accept such transfer of, all the equity interests held by each Existing Shareholder in Tianying Jiuzhou;
- (3) In furtherance of the foregoing equity transfer, Existing Shareholders agree to jointly grant Fenghuang On-line an irrevocable equity option (the "Equity Option"), pursuant to which and to the extent permitted by the PRC Law, Existing Shareholders shall transfer, at Fenghuang On-line's request, the Equity (as defined below) to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line in accordance with this Agreement; and
- (4) Tianying Jiuzhou agrees to the grant of the Equity Option by Existing Shareholders to Fenghuang On-line in accordance with this Agreement.

NOW, THEREFORE, the Parties have agreed as follows upon friendly consultation:

**ARTICLE ONE    DEFINITION**

1.1 Unless otherwise interpreted pursuant to the context herein, each of the terms used herein shall have the meaning ascribed to it below:

"Business Licenses" shall mean all approvals, permits, filings and registrations required by Tianying Jiuzhou in conducting its internet business and all other business legally and efficiently, including but not limited to the Enterprise Legal Person Business License, the Tax Registration Certificate, and other relevant permits and licenses then required by the PRC Law.

"Cap" shall have the meaning ascribed to it in Section 3.2 hereof.

“Confidential Information” shall have the meaning ascribed to it in Section 8.1 hereof.

“Default Party” shall have the meaning ascribed to it in Section 11.1 hereof.

“Equity”, shall mean, with respect to each Existing Shareholder, all the equity interests held by such Shareholder in the Tianying Jiuzhou Registered Capital; and with respect to all Existing Shareholders, 100% of the equity interests in the Tianying Jiuzhou Registered Capital.

“Event of Default” shall have the meaning ascribed to it in Section 11.1 hereof.

“Exercise Notice” shall have the meaning ascribed to it in Section 3.5 hereof.

“Material Agreement” shall mean any agreement to which Tianying Jiuzhou is a party and which has material impact on Tianying Jiuzhou’s business or assets, including but not limited to the Exclusive Technical Consulting and Service Agreement by and between Tianying Jiuzhou and Fenghuang On-line and other agreements in relation to Tianying Jiuzhou’s business.

“Non-default Party” shall have the meaning ascribed to it in Section 11.1 hereof.

“Power of Attorney” shall have the meaning ascribed to it in Section 3.7 hereof.

“PRC Law” shall mean the then current PRC laws, regulations, rules, local stipulations, interpretations and other normative documents with binding force.

“Rights” shall have the meaning ascribed to it in Section 12.5 hereof.

“Subject Equity” shall mean the equity interests in Tianying Jiuzhou for which Fenghuang On-line, when exercising its Equity Option (the “Exercise”), has the right to request transfer by either or both Existing Shareholders to Fenghuang On-line or any other entity or individual designated by Fenghuang On-line pursuant to Section 3.2 hereof, the amount of which may be the whole or a part of the Equity, as determined by Fenghuang On-line in its own discretion in accordance with the then current PRC Law and out of its own business considerations.

“Tianying Jiuzhou Assets” shall mean all tangible and intangible assets which Tianying Jiuzhou owns or has the right to use during the term hereof, including but not limited to any moveable property, immovable property, and intellectual properties such as trademarks, copyrights, patents, know-how, domain names and software use rights.

“Tianying Jiuzhou Registered Capital” shall mean the registered capital of Tianying Jiuzhou in the amount of RMB10 Million as of the date hereof, as the same may be increased by any additional capital contribution during the term hereof.

“Transfer Price” shall mean all consideration payable by Fenghuang On-line or any other entity or individual designated by Fenghuang On-line to the Existing Shareholders for the Subject Equity to be obtained at each Exercise pursuant to Article Four hereof.

“Trustee” shall have the meaning ascribed to it in Section 3.7 hereof.

1.2 Any reference herein to any PRC Law shall be deemed:

- (1) to include amendments, revisions, additions and updates to such PRC Law, whether enacted prior to or after the execution of this Agreement; and
- (2) to include other decisions, notices and rules promulgated or enacted in accordance with the provisions of such PRC Law.

1.3 Unless otherwise stated herein, references to articles, sections, subsections and paragraphs herein shall mean Articles, Sections, Subsections and

Paragraphs of this Agreement.

## ARTICLE TWO GRANT OF THE EQUITY OPTION

2.1 Existing Shareholders hereby agree, jointly and severally, to grant Fenghuang On-line, and Fenghuang On-line also agrees to accept, an irrevocable, unconditional and exclusive Equity Option, pursuant to which Fenghuang On-line shall have the right to request, to the extent permitted by the PRC Law, transfer of the Equity in the manner prescribed herein by Existing Shareholders to Fenghuang On-line or any other entity or individual designated by Fenghuang On-line.

2.2 Tianying Jiuzhou hereby agrees to the grant of the Equity Option by Existing Shareholders to Fenghuang On-line in accordance with Section 2.1 above and other provisions herein.

## ARTICLE THREE METHOD OF EXERCISE

3.1 To the extent permitted by the PRC Law, Fenghuang On-line shall have the absolute discretion to determine the specific time, manner and frequency of its Exercise.

- 3.2 If Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line is permitted by the then current PRC Law to hold all the equity interests in Tianying Jiuzhou, then Fenghuang On-line shall have the right to exercise all its Equity Options in one lump sum or by installment, and Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line shall be assigned all the Equity by Existing Shareholders in one lump sum or by installment. If Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line is permitted by the then current PRC Law to hold only a portion of the equity interests in Tianying Jiuzhou, then Fenghuang On-line shall have the right to determine the amount of the Subject Equity within the equity holding cap (the "Cap") prescribed by the then current PRC Law, and Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line shall be assigned by Existing Shareholders such amount of the Subject Equity as determined. In the latter case, Fenghuang On-line shall have the right to exercise its Equity Option by installment along with the gradual opening up of the Cap under the PRC Law, until all the Equity is obtained by Fenghuang On-line eventually.
- 3.3 At each Exercise, Fenghuang On-line shall have the right to determine at its own discretion the amount of the Subject Equity to be transferred by Existing Shareholders at such Exercise to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line, and Existing Shareholders shall each transfer its Subject Equity to Fenghuang On-line and/or any other entity

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or individual designated by Fenghuang On-line in the amount determined by Fenghuang On-line. Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line shall pay the Transfer Price for the Subject Equity assigned at such Exercise to the transferring Existing Shareholder and Fenghuang On-line shall have the right to offset the Transfer Price against the liabilities (including but not limited to borrowings) owing by the relevant Existing Shareholder to Fenghuang On-line.

- 3.4 At each Exercise, the Subject Equity may be transferred to Fenghuang On-line or any third party designated by Fenghuang On-line, in whole or in part.
- 3.5 Each time Fenghuang On-line elects to exercise its Equity Option, it shall send a notice regarding such Exercise in form attached hereto as Exhibit 2 (the "Exercise Notice") to Existing Shareholders, who, upon receipt of such Exercise Notice, shall promptly transfer in one lump sum all the Subject Equity to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line in the manner prescribe in Section 3.3 hereof.
- 3.6 Existing Shareholders hereby undertake and warrant, jointly and severally, that once an Exercise Notice is sent to them by Fenghuang On-line,
- (1) they will promptly convene a shareholders meeting (at which a resolution of such shareholder meeting on the waiver of the right of first refusal shall pass) and take all other necessary action to endorse the transfer of all the Subject Equity to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line at the Transfer Price;
  - (2) they will promptly enter into an equity transfer agreement with Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line so as to effectuate the transfer of all the Subject Equity to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line at the Transfer Price; and
  - (3) they will provide necessary support required by Fenghuang On-line and relevant laws and regulations, including delivering and signing all relevant legal documents, handling all relevant government approval and registration procedures, and assuming all relevant obligations, to enable Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line to obtain all the Subject

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Equity flawlessly.

- 3.7 Existing Shareholders agree that concurrently with the execution of this Agreement, they shall each sign a power of attorney in form attached hereto as Exhibit 3 (the "Power of Attorney"), whereby any individual appointed by Fenghuang On-line ("Trustee") will be entrusted in writing to sign on behalf of such Existing Shareholder any and all legal documents required hereunder to ensure that Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line will obtain all the Subject Equity flawlessly. Such Power of Attorney shall be kept by Fenghuang On-line, which may request, whenever necessary, that more copies of such Power of Attorney be signed by the Existing Shareholders and submitted to the relevant government. Upon and only upon notification in writing from Fenghuang On-line to Existing Shareholders regarding the replacement of Trustee, Existing Shareholders shall forthwith cancel their authorization to the existing Trustee and authorize such other Trustee then appointed by Fenghuang On-line to sign on behalf of Existing Shareholders any and all legal documents required hereunder. The new Power of Attorney, once made, shall replace the original one immediately. In no other circumstances may Existing Shareholders cancel their Power of Attorney to the Trustee.

#### ARTICLE FOUR TRANSER PRICE

- 4.1 At each Exercise, all the Transfer Price payable by Fenghuang On-line or any entity or individual designated by Fenghuang On-line to each Existing Shareholder shall equal the capital amount actually contributed by such Existing Shareholder in respect of the equity interests transferred at such Exercise. If there is any mandatory requirements in the PRC Law on the Transfer Price then, Fenghuang On-line or any entity or individual designated by Fenghuang On-line shall have the right to set the Transfer Price at the minimum price permitted by the PRC Law.
- 4.2 At each Exercise, the amount borrowed by Existing Shareholders under the Loan Agreement dated December 31, 2009 between Existing Shareholders and Fenghuang On-line shall offset the Transfer Price payable by Fenghuang On-line at such Exercise. Existing Shareholders may not request the payment of the Transfer Price hereunder by Fenghuang On-line to Existing Shareholders be made in any manner other than that prescribed herein with respect to the offset of liabilities.

#### ARTICLE FIVE REPRESENTATIONS AND WARRANTIES

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as follows, which representations and warrants shall continue in force and effect as though they were made at the time the Equity is transferred,

- 5.1.1 each of them is a PRC citizen with full capacity, has full and independent legal status and capacity to sign, deliver and perform this Agreement, and may act as an independent litigation subject;
- 5.1.2 Tianying Jiuzhou is a limited liability company duly registered and validly existing under the PRC Laws, with independent legal person status, has full and independent legal status and capacity to sign, deliver and perform this Agreement, and may act as an independent litigation subject;
- 5.1.3 each of them has full power and authorization to sign and deliver this Agreement as well as all other documents to be signed by each in connection with the transaction anticipated herein and to consummate such transaction;
- 5.1.4 this Agreement is duly and appropriately signed and delivered by Existing Shareholders and constitutes their legal, valid and binding obligations, enforceable against them in accordance with its terms;
- 5.1.5 Existing Shareholders are the legal and registered owners of the Equity at the time this Agreement becomes effective; other than the rights created under this Agreement, the Equity Pledge Agreement between Existing Shareholders and Fenghuang On-line, and the Voting Right Entrust Agreement among Existing Shareholders, Fenghuang On-line and Tianying Jiuzhou, there is no lien, pledge, recourse and other security interest or third party rights on the Equity; and following the Exercise pursuant to this Agreement, Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line will obtain good title to the Subject Equity, free from any lien, pledge, recourse and other security interest or third party rights.

5.2 Tianying Jiuzhou hereby represents and warrants that:

- 5.2.1 it is a limited liability company duly registered and validly existing under the PRC Laws, with independent legal person status, has full and independent legal status and capacity to sign, deliver and perform this Agreement, and may act as an independent litigation subject;
- 5.2.2 it has full power and authorization to sign and deliver this

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Agreement as well as all other documents to be signed by each in connection with the transaction anticipated herein and to consummate such transaction;

- 5.2.3 this Agreement is duly and appropriately signed and delivered by it and constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
- 5.2.4 Existing Shareholders are all the legal shareholders on record of Tianying Jiuzhou at the time this Agreement becomes effective, and following the Exercise pursuant to this Agreement, Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line will obtain good title to the Subject Equity, free from any lien, pledge, recourse and other security interest or third party rights; and
- 5.2.5 it has all the Business Licenses required in conducting its business at the time this Agreement is signed and has full rights and qualifications to conduct its internet and all other businesses in China; it has been operating according to law ever since it was founded and there is no violations or potential violations of regulations or requirements of the industry and commerce, tax, communication, labor, social security or any other government authorities, nor is there any dispute over any breach of contract.

#### ARTICLE SIX EXISTING SHAREHOLDERS' UNDERTAKING

Each Existing Shareholders hereby undertakes severally that,

- 6.1 during the term hereof, it shall take all necessary actions to ensure that Tianying Jiuzhou will obtain timely all the Business Licenses required to conduct its business and to maintain all such Business Licenses valid at all times;
- 6.2 during the term hereof, it will not, without Fenghuang On-line's prior consent in writing,
  - 6.2.1 transfer or otherwise dispose of any Equity or place thereon any security interest or third party rights;
  - 6.2.2 increase or decrease the Tianying Jiuzhou Registered Capital;
  - 6.2.3 dispose of or cause the disposition of any Tianying Jiuzhou Asset by the Tianying Jiuzhou management, other than such disposition

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during the normal course of operation;

- 6.2.4 terminate or cause the termination of any Material Agreement to which Tianying Jiuzhou is a party by the Tianying Jiuzhou management, or enter into any other agreement which may contradict with the existing Material Agreements;
- 6.2.5 appoint or remove any director or supervisor of Tianying Jiuzhou or any other management member of Tianying Jiuzhou who shall be appointed or removed by Existing Shareholders;
- 6.2.6 cause or endorse the declaration or actual distribution of any distributable profit, bonus, dividends or interests by Tianying Jiuzhou;
- 6.2.7 do anything which will jeopardize the valid existence of Tianying Jiuzhou or lead to the termination, liquidation or dissolution of Tianying Jiuzhou;
- 6.2.8 cause or endorse any amendment to the articles of association of Tianying Jiuzhou; or
- 6.2.9 cause or endorse any lending or borrowing, provision of any guarantee or creation of any other security interest or assumption of any major obligations by Tianying Jiuzhou other than in the normal course of operation.
- 6.3 during the term hereof, it will make its best effort to develop Tianying Jiuzhou's business, ensure that Tianying Jiuzhou will conduct its business operations in compliance with all relevant laws and regulations, and will not do or cause to be done anything which will jeopardize the Tianying Jiuzhou Assets, its business reputation or the validity of the Tianying Jiuzhou Business Licenses.

#### ARTICLE SEVEN TIANYING JIUZHOU'S UNDERTAKING

- 7.1 In the event that the execution and performance of this Agreement or the grant of the Equity Option hereunder requires any consent, permit, waiver or authorization by any third party; any approval, permit or exemption by any government authority; or any filing or registration with any government authority (where the same is required by law), Tianying Jiuzhou will make its best effort to assist in satisfying all such conditions.
- 7.2 Without Fenghuang On-line's prior consent in writing, Tianying Jiuzhou

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will not assist or permit any Existing Shareholder to transfer or otherwise dispose of any Equity or place thereon any security interest or third party rights.

- 7.3 Tianying Jiuzhou will not do or permit to be done anything which will have any adverse effect on Fenghuang On-line's interests hereunder.

#### ARTICLE EIGHTH CONFIDENTIALITY OBLIGATION

- 8.1 Notwithstanding the termination of this Agreement, Existing Shareholders shall be obligated to keep in confidence the information listed below (the "Confidential Information"):
- (i) the execution and performance of this Agreement as well as the content hereof;
  - (ii) Fenghuang On-line's business secrets, proprietary information, and clients' information of which Existing Shareholders may become aware or to which they have access in connection with the execution and performance of this Agreement; and
  - (iii) Tianying Jiuzhou's business secrets, proprietary information, clients' information, and other relevant information of which Existing Shareholders may become aware or to which they have access as shareholders of Tianying Jiuzhou.

Existing Shareholders may use such Confidential Information only for the purpose of performing their obligations hereunder and may not disclose such Confidential Information to any third party without Fenghuang On-line's prior consent in writing, otherwise Existing Shareholders shall be held liable for breaching and responsible for all losses thereof.

- 8.2 After the termination of this Agreement, each Existing Shareholder shall, at Fenghuang On-line's request, return, destruct, or otherwise dispose of any and all documents, materials or software containing Confidential Information and stop using such Confidential Information.
- 8.3 Notwithstanding any other provisions herein, the provisions of this Article Eight shall survive the suspension or termination of this Agreement.

#### ARTICLE NINE TERM

This Agreement shall become effective as of the date hereof and remain in effect till

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all Equity are duly transferred to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line in accordance with this Agreement.

#### ARTICLE TEN NOTICE

- 10.1 Any and all notices, requests, instructions or other communications required to be made hereof or made pursuant to this Agreement by one Party to the other hereunder shall be made in writing.

10.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

#### ARTICLE ELEVEN LIABILITIES FOR BREACHING

11.1 Both Parties agree and acknowledge that a substantial breach of any covenant or failure to substantially perform any obligation hereunder by any Party (the "Default Party") shall constitute an event of default hereunder (the "Event of Default"), and the non-default Party (the "Non-default Party") shall have the right to demand rectification or remedy by the Default Party within a reasonable period of time. If the Default Party fails to rectify the Event of Default or to take remedial measures within such reasonable period of time or ten (10) days following the Non-default Party's written notice and demand for rectification thereof, then, in the case of any Event of Default by Existing Shareholders or Tianying Jiuzhou, the Non-default Party may, at its own discretion, (i) terminate this Agreement and demand indemnification by the Default Party for all damages, or (ii) require the Default Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages; or, in the case of any Event of Default by Fenghuang On-line, the Non-default Party may require the Default Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages.

11.2 Both Parties agree and acknowledge that under no circumstances may Existing Shareholders or Tianying Jiuzhou terminate this Agreement on any ground.

11.3 The rights and remedies provided for herein are cumulative and not exclusive of any other rights or remedies available under law.

11.3 Notwithstanding any other provisions herein, the provisions of this Article Eleven shall survive the suspension or termination of this Agreement.

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#### ARTICLE TWELVE MISCELLANEOUS

12.1 This Agreement is made in Chinese in four (4) original copies, with each Party hereto holding one (1) copy.

12.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the PRC Law.

12.3 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of such commission then in effect. The arbitration shall be conducted in Beijing and the arbitral award shall be final and binding upon both Parties.

12.4 The rights, power and remedies provided for either Party herein shall not exclude any other rights, power or remedies to which such Party is entitled under law, regulations, and other provisions herein, and the exercise by one Party of its right, power, or remedies shall not hinder its exercise of any other right, power, or remedies.

12.5 Failure to exercise or delay in exercising any right, power, or remedies under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of such Rights, and waiver of any single or partial exercise of the Rights shall not exclude the exercise of the Rights in any other manner or the exercise of any other Rights.

12.6 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.

12.7 All provisions herein are separable and independent of any other provisions. If one or more provisions hereof are held invalid, illegal or unenforceable at any time, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.

12.8 Once executed, this Agreement shall supersede any and all other legal documents by and among the Parties with respect to the same subject matter. Amendment or addition to this Agreement shall be made in writing and may not become effective unless and until duly executed by all the Parties hereto.

12.9 Neither Existing Shareholders nor Tianying Jiuzhou may transfer their or its

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rights and/or obligations hereunder to any third party without Fenghuang On-line's prior consent in writing. Upon notifying Existing Shareholders and Tianying Jiuzhou, Fenghuang On-line may transfer any of its rights and/or obligations hereunder to any third party appointed by Fenghuang On-line.

12.10 This Agreement shall be binding on the legal assigns of the Parties hereto.

[Remainder of the page left blank intentionally]

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Haiyan Qiao

By: /s/ Haiyan Qiao

Ximin Gao

By: /s/ Ximin Gao

Fenghuang On-line (Beijing) Information Technology Co., Ltd. (seal)

By: /s/Shuang Liu

Name: Shuang Liu

Title: Authorized Representative

Beijing Tianying Jiuzhou Network Technology Co., Ltd.

By: /s/Ming Chen

Name: Ming Chen

Title: Authorized Representative

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EXHIBIT 1:

Background Information of Tianying Jiuzhou

Name: Beijing Tianying Jiuzhou Network Technology Co., Ltd.  
Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China  
Registered Capital: RMB10 Million  
Legal Representative: Haiyan Gao

Equity Structure:

Existing Shareholder Name	Amount of Registered Capital Owned	Percentage of Capital Contribution
Haiyan Qiao	RMB5.1 Million	51%
Xinmin Gao	RMB4.9 Million	49%
Total	RMB10 Million	100%

Fiscal Year: from January 1 to December 31 of each calendar year

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EXHIBIT 2:

Form of Exercise Notice

To: [Name of Existing Shareholder]

Reference is hereby made to the Exclusive Equity Option Agreement dated December 31, 2009 by and among Fenghuang On-line (Beijing) Information Technology Co., Ltd. (the "Company"), you, and Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("Tianying Jiuzhou"), pursuant to which it is agreed that, subject to the PRC Law and at the request of the Company, you shall transfer the equity interests you hold or your company holds in Tianying Jiuzhou to the Company or any third party appointed by the Company.

Therefore, the Company hereby informs you as follows:

The Company hereby requests to exercise the Equity Options under the Exclusive Equity Option Agreement and it/[name of company/individual] appointed by the Company shall accept % of the equity interests which you hold in Tianying Jiuzhou (the "Subject Equity"). Please transfer immediately all the Subject Equity to the Company/[name of company/individual] appointed by the Company in accordance with the Exclusive Equity Option Agreement.

Sincerely Yours,

Fenghuang On-line (Beijing)

Information Technology Co., Ltd.  
(seal)

Authorized Representative:

Date:

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EXHIBIT 3:

Power of Attorney

I, Haiyan Qiao, hereby irrevocably authorize (ID No.: ) to act as my trustee, who in such capacity may sign the equity transfer agreement by and among I, Fenghuang On-line (Beijing) Information Technology Co., Ltd. and/or another related party with respect to the transfer of the equity interests which I and/or other shareholders hold in Beijing Tianying Jiuzhou Network Technology Co., Ltd. and all other relevant legal documents, and handle all registration procedures required by the equity transfer hereunder with the relevant administration for industry and commerce.

By: /s/ Haiyan Qiao

Name: Haiyan Qiao

Date: December 31, 2009

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Power of Attorney

I, Ximin gao, hereby irrevocably authorize (ID No.: ) to act as my trustee, who in such capacity may sign the equity transfer agreement by and among I, Fenghuang On-line (Beijing) Information Technology Co., Ltd. and/or another related party with respect to the transfer of the equity interests which I and/or other shareholders hold in Beijing Tianying Jiuzhou Network Technology Co., Ltd. and all other relevant legal documents, and handle all registration procedures required by the equity transfer hereunder with the relevant administration for industry and commerce.

By: /s/ Ximin Gao

Name: Ximin Gao

Date: December 31, 2009

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**Exclusive Equity Option Agreement  
of Yifeng Lianhe (Beijing) Technology Co., Ltd.**

by and among

**Yan Sheng He,**

**Yin Xia Liu,**

**Yifeng Lianhe (Beijing) Technology Co., Ltd.,**

and

**Fenghuang On-line (Beijing) Information Technology Co., Ltd.**

**December 31, 2009**

**Exclusive Equity Option Agreement**

This Exclusive Equity Option Agreement (the "Agreement") is entered into by the following parties on December 31, 2009 in Beijing, the People's Republic of China ("PRC" or "China"):

- (1) Yansheng He, a PRC citizen (ID No.:           );
- (2) Yinxia Liu, a PRC citizen (ID No.:           );

(Yansheng He and Yinxia Liu are referred to hereinafter individually as an "Existing Shareholder" and collectively as "Existing Shareholders")

- (3) Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Fenghuang On-line"), with its registered address at Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China; and
- (4) Yifeng Lianhe (Beijing) Technology Co., Ltd. ("Yifeng Lianhe"), with its registered address at Fusheng Building Tower 2 Floor 16, No.4 Hui Xin Dong Jie, Chaoyang District, Beijing 100029 China.

(Each of the foregoing parties is referred to hereinafter individually as a "Party" and collectively as "Parties". )

WHEREAS:

- (1) Existing Shareholders are the shareholders on record of Yifeng Lianhe and hold all the equity interests in it; and as of the date hereof, the amount of capital contributed and the percentage of shares held by each Existing Shareholder in the Yifeng Lianhe Registered Capital (as defined below) are as set forth in Exhibit 1 hereto;
- (2) Subject to the PRC Law, each Existing Shareholder intends to transfer to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line, and Fenghuang On-line intends to accept such transfer of, all the equity interests held by each Existing Shareholder in Yifeng Lianhe;
- (3) In furtherance of the foregoing equity transfer, Existing Shareholders agree to jointly grant Fenghuang On-line an irrevocable equity option (the "Equity Option"), pursuant to which and to the extent permitted by the PRC Law, Existing Shareholders shall transfer, at Fenghuang On-line's request, the Equity (as defined below) to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line in accordance with this Agreement; and

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- (4) Yifeng Lianhe agrees to the grant of the Equity Option by Existing Shareholders to Fenghuang On-line in accordance with this Agreement.

NOW, THEREFORE, the Parties have agreed as follows upon friendly consultation:

ARTICLE ONE DEFINITION

- 1.1 Unless otherwise interpreted pursuant to the context herein, each of the terms used herein shall have the meaning ascribed to it below:

"Business Licenses" shall mean all approvals, permits, filings and registrations required by Yifeng Lianhe in conducting its internet business and all other business legally and efficiently, including but not limited to the Enterprise Legal Person Business License, the Tax Registration Certificate, and other relevant permits and licenses then required by the PRC Law.

"Cap" shall have the meaning ascribed to it in Section 3.2 hereof.

“Confidential Information” shall have the meaning ascribed to it in Section 8.1 hereof.

“Default Party” shall have the meaning ascribed to it in Section 11.1 hereof.

“Equity”, shall mean, with respect to each Existing Shareholder, all the equity interests held by such Shareholder in the Yifeng Lianhe Registered Capital; and with respect to all Existing Shareholders, 100% of the equity interests in the Yifeng Lianhe Registered Capital.

“Event of Default” shall have the meaning ascribed to it in Section 11.1 hereof.

“Exercise Notice” shall have the meaning ascribed to it in Section 3.5 hereof.

“Material Agreement” shall mean any agreement to which Yifeng Lianhe is a party and which has material impact on Yifeng Lianhe’s business or assets, including but not limited to the Exclusive Technical Consulting and Service Agreement by and between Yifeng Lianhe and Fenghuang On-line and other agreements in relation to Yifeng Lianhe’s business.

“Non-default Party” shall have the meaning ascribed to it in Section 11.1 hereof.

“PRC Law” shall mean the then current PRC laws, regulations, rules, local

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stipulations, interpretations and other normative documents with binding force.

“Power of Attorney” shall have the meaning ascribed to it in Section 3.7 hereof.

“Rights” shall have the meaning ascribed to it in Section 12.5 hereof.

“Subject Equity” shall mean the equity interests in Yifeng Lianhe for which Fenghuang On-line, when exercising its Equity Option (the “Exercise”), has the right to request transfer by either or both Existing Shareholders to Fenghuang On-line or any other entity or individual designated by Fenghuang On-line pursuant to Section 3.2 hereof, the amount of which may be the whole or a part of the Equity, as determined by Fenghuang On-line in its own discretion in accordance with the then current PRC Law and out of its own business considerations.

“Transfer Price” shall mean all consideration payable by Fenghuang On-line or any other entity or individual designated by Fenghuang On-line to the Existing Shareholders for the Subject Equity to be obtained at each Exercise pursuant to Article Four hereof.

“Trustee” shall have the meaning ascribed to it in Section 3.7 hereof.

“Yifeng Lianhe Registered Capital” shall mean the registered capital of Yifeng Lianhe in the amount of RMB10 Million as of the date hereof, as the same may be increased by any additional capital contribution during the term hereof.

“Yifeng Lianhe Assets” shall mean all tangible and intangible assets which Yifeng Lianhe owns or has the right to use during the term hereof, including but not limited to any moveable property, immovable property, and intellectual properties such as trademarks, copyrights, patents, know-how, domain names and software use rights.

1.2 Any reference herein to any PRC Law shall be deemed:

- (1) to include amendments, revisions, additions and updates to such PRC Law, whether enacted prior to or after the execution of this Agreement; and
- (2) to include other decisions, notices and rules promulgated or enacted in accordance with the provisions of such PRC Law.

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1.3 Unless otherwise stated herein, references to articles, sections, subsections and paragraphs herein shall mean Articles, Sections, Subsections and Paragraphs of this Agreement.

## ARTICLE TWO GRANT OF THE EQUITY OPTION

2.1 Existing Shareholders hereby agree, jointly and severally, to grant Fenghuang On-line, and Fenghuang On-line also agrees to accept, an irrevocable, unconditional and exclusive Equity Option, pursuant to which Fenghuang On-line shall have the right to request, to the extent permitted by the PRC Law, transfer of the Equity in the manner prescribed herein by Existing Shareholders to Fenghuang On-line or any other entity or individual designated by Fenghuang On-line.

2.2 Yifeng Lianhe hereby agrees to the grant of the Equity Option by Existing Shareholders to Fenghuang On-line in accordance with Section 2.1 above and other provisions herein.

## ARTICLE THREE METHOD OF EXERCISE

3.1 To the extent permitted by the PRC Law, Fenghuang On-line shall have the absolute discretion to determine the specific time, manner and frequency of its Exercise.

3.2 If Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line is permitted by the then current PRC Law to hold all the equity interests in Yifeng Lianhe, then Fenghuang On-line shall have the right to exercise all its Equity Options in one lump sum or by installment, and Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line shall be assigned all the Equity by Existing Shareholders in one lump sum or by installment. If Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line is permitted by the then current PRC Law to hold only a portion of the equity interests in Yifeng Lianhe, then Fenghuang On-line shall have the right to determine the amount of the Subject Equity within the equity holding cap (the "Cap") prescribed by the then current PRC Law, and Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line shall be assigned by Existing Shareholders such amount of the Subject Equity as determined. In the latter case, Fenghuang On-line shall have the right to exercise its Equity Option by installment along with the gradual opening up of the Cap under the PRC Law, until all the Equity is obtained by Fenghuang On-line eventually.

3.3 At each Exercise, Fenghuang On-line shall have the right to determine at its own discretion the amount of the Subject Equity to be transferred by Existing

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Shareholders at such Exercise to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line, and Existing Shareholders shall each transfer its Subject Equity to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line in the amount determined by Fenghuang On-line. Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line shall pay the Transfer Price for the Subject Equity assigned at such Exercise to the transferring Existing Shareholder and Fenghuang On-line shall have the right to offset the Transfer Price against the liabilities (including but not limited to borrowings) owing by the relevant Existing Shareholder to Fenghuang On-line.

3.4 At each Exercise, the Subject Equity may be transferred to Fenghuang On-line or any third party designated by Fenghuang On-line, in whole or in part.

3.5 Each time Fenghuang On-line elects to exercise its Equity Option, it shall send a notice regarding such Exercise in form attached hereto as Exhibit 2 (the "Exercise Notice") to Existing Shareholders, who, upon receipt of such Exercise Notice, shall promptly transfer in one lump sum all the Subject Equity to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line in the manner prescribe in Section 3.3 hereof.

3.6 Existing Shareholders hereby undertake and warrant, jointly and severally, that once an Exercise Notice is sent to them by Fenghuang On-line,

- (1) they will promptly convene a shareholders meeting (at which a resolution of such shareholder meeting on the waiver of the right of first refusal shall pass) and take all other necessary action to endorse the transfer of all the Subject Equity to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line at the Transfer Price;
- (2) they will promptly enter into an equity transfer agreement with Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line so as to effectuate the transfer of all the Subject Equity to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line at the Transfer Price; and
- (3) they will provide necessary support required by Fenghuang On-line and relevant laws and regulations, including delivering and signing all relevant legal documents, handling all relevant government approval and registration procedures, and assuming all relevant obligations, to enable Fenghuang On-line and/or any other entity or

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individual designated by Fenghuang On-line to obtain all the Subject Equity flawlessly.

3.7 Existing Shareholders agree that concurrently with the execution of this Agreement, they shall each sign a power of attorney in form attached hereto as Exhibit 3 (the "Power of Attorney"), whereby any individual appointed by Fenghuang On-line ("Trustee") will be entrusted in writing to sign on behalf of such Existing Shareholder any and all legal documents required hereunder to ensure that Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line will obtain all the Subject Equity flawlessly. Such Power of Attorney shall be kept by Fenghuang On-line, which may request, whenever necessary, that more copies of such Power of Attorney be signed by the Existing Shareholders and submitted to the relevant government. Upon and only upon notification in writing from Fenghuang On-line to Existing Shareholders regarding the replacement of Trustee, Existing Shareholders shall forthwith cancel their authorization to the existing Trustee and authorize such other Trustee then appointed by Fenghuang On-line to sign on behalf of Existing Shareholders any and all legal documents required hereunder. The new Power of Attorney, once made, shall replace the original one immediately. In no other circumstances may Existing Shareholders cancel their Power of Attorney to the Trustee.

#### ARTICLE FOUR TRANSER PRICE

4.1 At each Exercise, all the Transfer Price payable by Fenghuang On-line or any entity or individual designated by Fenghuang On-line to each Existing Shareholder shall equal the capital amount actually contributed by such Existing Shareholder in respect of the equity interests transferred at such Exercise. If there is any mandatory requirements in the PRC Law on the Transfer Price then, Fenghuang On-line or any entity or individual designated by Fenghuang On-line shall have the right to set the Transfer Price at the minimum price permitted by the PRC Law.

4.2 At each Exercise, the amount borrowed by Existing Shareholders under the Loan Agreement dated December 31, 2009 between Existing Shareholders and Fenghuang On-line shall offset the Transfer Price payable by Fenghuang On-line at such Exercise. Existing Shareholders may not request the payment of the Transfer Price hereunder by Fenghuang On-line to Existing Shareholders be made in any manner other than that prescribed herein with respect to the offset of liabilities.

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## ARTICLE FIVE REPRESENTATIONS AND WARRANTIES

- 5.1 Existing Shareholders hereby, jointly and severally, represent and warrant as follows, which representations and warrants shall continue in force and effect as though they were made at the time the Equity is transferred,
- 5.1.1 each of them is a PRC citizen with full capacity, has full and independent legal status and capacity to sign, deliver and perform this Agreement, and may act as an independent litigation subject;
  - 5.1.2 Yifeng Lianhe is a limited liability company duly registered and validly existing under the PRC Laws, with independent legal person status, has full and independent legal status and capacity to sign, deliver and perform this Agreement, and may act as an independent litigation subject;
  - 5.1.3 each of them has full power and authorization to sign and deliver this Agreement as well as all other documents to be signed by each in connection with the transaction anticipated herein and to consummate such transaction;
  - 5.1.4 this Agreement is duly and appropriately signed and delivered by Existing Shareholders and constitutes their legal, valid and binding obligations, enforceable against them in accordance with its terms;
  - 5.1.5 Existing Shareholders are the legal and registered owners of the Equity at the time this Agreement becomes effective; other than the rights created under this Agreement, the Equity Pledge Agreement between Existing Shareholders and Fenghuang On-line, and the Voting Right Entrust Agreement among the Existing Shareholders, Fenghuang On-line and Yifeng Lianhe, there is no lien, pledge, recourse and other security interest or third party rights on the Equity; and following the Exercise pursuant to this Agreement, Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line will obtain good title to the Subject Equity, free from any lien, pledge, recourse and other security interest or third party rights.
- 5.2 Yifeng Lianhe hereby represents and warrants that:
- 5.2.1 it is a limited liability company duly registered and validly existing under the PRC Laws, with independent legal person status, has full and independent legal status and capacity to sign, deliver and perform this Agreement, and may act as an independent litigation subject;

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- 5.2.2 it has full power and authorization to sign and deliver this Agreement as well as all other documents to be signed by each in connection with the transaction anticipated herein and to consummate such transaction;
- 5.2.3 this Agreement is duly and appropriately signed and delivered by it and constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
- 5.2.4 Existing Shareholders are all the legal shareholders on record of Yifeng Lianhe at the time this Agreement becomes effective, and following the Exercise pursuant to this Agreement, Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line will obtain good title to the Subject Equity, free from any lien, pledge, recourse and other security interest or third party rights; and
- 5.2.5 it has all the Business Licenses required in conducting its business at the time this Agreement is signed and has full rights and qualifications to conduct its internet and all other businesses in China; it has been operating according to law ever since it was founded and there is no violations or potential violations of regulations or requirements of the industry and commerce, tax, communication, labor, social security or any other government authorities, nor is there any dispute over any breach of contract.

## ARTICLE SIX EXISTING SHAREHOLDERS' UNDERTAKING

Each Existing Shareholders hereby undertakes severally that,

- 6.1 during the term hereof, it shall take all necessary actions to ensure that Yifeng Lianhe will obtain timely all the Business Licenses required to conduct its business and to maintain all such Business Licenses valid at all times;
- 6.2 during the term hereof, it will not, without Fenghuang On-line's prior consent in writing,
  - 6.2.1 transfer or otherwise dispose of any Equity or place thereon any security interest or third party rights;
  - 6.2.2 increase or decrease the Yifeng Lianhe Registered Capital;
  - 6.2.3 dispose of or cause the disposition of any Yifeng Lianhe Asset by

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the Yifeng Lianhe management, other than such disposition during the normal course of operation;

- 6.2.4 terminate or cause the termination of any Material Agreement to which Yifeng Lianhe is a party by the Yifeng Lianhe management, or enter into any other agreement which may contradict with the existing Material Agreements;

- 6.2.5 appoint or remove any director or supervisor of Yifeng Lianhe or any other management member of Yifeng Lianhe who shall be appointed or removed by Existing Shareholders;
  - 6.2.6 cause or endorse the declaration or actual distribution of any distributable profit, bonus, dividends or interests by Yifeng Lianhe;
  - 6.2.7 do anything which will jeopardize the valid existence of Yifeng Lianhe or lead to the termination, liquidation or dissolution of Yifeng Lianhe;
  - 6.2.8 cause or endorse any amendment to the articles of association of Yifeng Lianhe; or
  - 6.2.9 cause or endorse any lending or borrowing, provision of any guarantee or creation of any other security interest or assumption of any major obligations by Yifeng Lianhe other than in the normal course of operation.
- 6.3 during the term hereof, it will make its best effort to develop Yifeng Lianhe's business, ensure that Yifeng Lianhe will conduct its business operations in compliance with all relevant laws and regulations, and will not do or cause to be done anything which will jeopardize the Yifeng Lianhe Assets, its business reputation or the validity of the Yifeng Lianhe Business Licenses.

#### ARTICLE SEVEN YIFENG LIANHE'S UNDERTAKING

- 7.1 In the event that the execution and performance of this Agreement or the grant of the Equity Option hereunder requires any consent, permit, waiver or authorization by any third party; any approval, permit or exemption by any government authority; or any filing or registration with any government authority (where the same is required by law), Yifeng Lianhe will make its best effort to assist in satisfying all such conditions.
- 7.2 Without Fenghuang On-line's prior consent in writing, Yifeng Lianhe will

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not assist or permit any Existing Shareholder to transfer or otherwise dispose of any Equity or place thereon any security interest or third party rights.

- 7.3 Yifeng Lianhe will not do or permit to be done anything which will have any adverse effect on Fenghuang On-line's interests hereunder.

#### ARTICLE EIGHTH CONFIDENTIALITY OBLIGATION

- 8.1 Notwithstanding the termination of this Agreement, Existing Shareholders shall be obligated to keep in confidence the information listed below (the "Confidential Information"):
  - (i) the execution and performance of this Agreement as well as the content hereof;
  - (ii) Fenghuang On-line's business secrets, proprietary information, and clients' information of which Existing Shareholders may become aware or to which they have access in connection with the execution and performance of this Agreement; and
  - (iii) Yifeng Lianhe's business secrets, proprietary information, clients' information, and other relevant information of which Existing Shareholders may become aware or to which they have access as shareholders of Yifeng Lianhe.

Existing Shareholders may use such Confidential Information only for the purpose of performing their obligations hereunder and may not disclose such Confidential Information to any third party without Fenghuang On-line's prior consent in writing, otherwise Existing Shareholders shall be held liable for breaching and responsible for all losses thereof.

- 8.2 After the termination of this Agreement, each Existing Shareholder shall, at Fenghuang On-line's request, return, destruct, or otherwise dispose of any and all documents, materials or software containing Confidential Information and stop using such Confidential Information.
- 8.3 Notwithstanding any other provisions herein, the provisions of this Article Eight shall survive the suspension or termination of this Agreement.

#### ARTICLE NINE TERM

This Agreement shall become effective as of the date hereof and remain in effect till

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all Equity are duly transferred to Fenghuang On-line and/or any other entity or individual designated by Fenghuang On-line in accordance with this Agreement.

#### ARTICLE TEN NOTICE

- 10.1 Any and all notices, requests, instructions or other communications required to be made hereof or made pursuant to this Agreement by one Party to the other hereunder shall be made in writing.
- 10.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

#### ARTICLE ELEVEN LIABILITIES FOR BREACHING

- 11.1 Both Parties agree and acknowledge that a substantial breach of any covenant or failure to substantially perform any obligation hereunder by any Party (the "Default Party") shall constitute an event of default hereunder (the "Event of Default"), and the non-default Party (the "Non-default Party") shall have the right to demand rectification or remedy by the Default Party within a reasonable period of time. If the Default Party fails to rectify the Event of Default or to take remedial measures within such reasonable period of time or ten (10) days following the Non-default Party's written notice and demand for rectification thereof, then, in the case of any Event of Default by Existing Shareholders or Yifeng Lianhe, the Non-default Party may, at its own discretion, (i) terminate this Agreement and demand indemnification by the Default Party for all damages, or (ii) require the Default Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages; or, in the case of any Event of Default by Fenghuang On-line, the Non-default Party may require the Default Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages.
- 11.2 Both Parties agree and acknowledge that under no circumstances may Existing Shareholders or Yifeng Lianhe terminate this Agreement on any ground.
- 11.3 The rights and remedies provided for herein are cumulative and not exclusive of any other rights or remedies available under law.
- 11.3 Notwithstanding any other provisions herein, the provisions of this Article Eleven shall survive the suspension or termination of this Agreement.

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#### ARTICLE TWELVE MISCELLANEOUS

- 12.1 This Agreement is made in Chinese in four (4) original copies, with each Party hereto holding one (1) copy.
- 12.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the PRC Law.
- 12.3 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of such commission then in effect. The arbitration shall be conducted in Beijing and the arbitral award shall be final and binding upon both Parties.
- 12.4 The rights, power and remedies provided for either Party herein shall not exclude any other rights, power or remedies to which such Party is entitled under law, regulations, and other provisions herein, and the exercise by one Party of its right, power, or remedies shall not hinder its exercise of any other right, power, or remedies.
- 12.5 Failure to exercise or delay in exercising any right, power, or remedies under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of such Rights, and waiver of any single or partial exercise of the Rights shall not exclude the exercise of the Rights in any other manner or the exercise of any other Rights.
- 12.6 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.
- 12.7 All provisions herein are separable and independent of any other provisions. If one or more provisions hereof are held invalid, illegal or unenforceable at any time, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.
- 12.8 Once executed, this Agreement shall supersede any and all other legal documents by and among the Parties with respect to the same subject matter. Amendment or addition to this Agreement shall be made in writing and may not become effective unless and until duly executed by all the Parties hereto.

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- 12.9 Neither Existing Shareholders nor Yifeng Lianhe may transfer their or its rights and/or obligations hereunder to any third party without Fenghuang On-line's prior consent in writing. Upon notifying Existing Shareholders and Yifeng Lianhe, Fenghuang On-line may transfer any of its rights and/or obligations hereunder to any third party appointed by Fenghuang On-line.
- 12.10 This Agreement shall be binding on the legal assigns of the Parties hereto.

[Remainder of the page left blank intentionally]

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[signature page]

IN WITNESS HEREOF, the Parties have signed this Exclusive Equity Option Agreement as of the date and in the place first written above.

Yansheng He



By: /s/ Yansheng He

Yinxia Liu

By: /s/ Yinxia Liu

Fenghuang On-line (Beijing) Information Technology Co., Ltd. (seal)

By: /s/ Shuang Liu  
Name: Shuang Liu  
Title: Authorized Representative

Yifeng Lianhe (Beijing) Technology Co., Ltd.

By: /s/Ming Chen  
Name: Ming Chen  
Title: Authorized Representative

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EXHIBIT 1:

Background Information of Yifeng Lianhe

Name: Yifeng Lianhe (Beijing) Technology Co., Ltd.  
Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China  
Registered Capital: RMB10 Million  
Legal Representative: Yansheng He

Equity Structure:

Existing Shareholder Name	Amount of Registered Capital Owned	Percentage of Capital Contribution
Yansheng He	RMB5.1 Million	51%
Yinxia Liu	RMB4.9 Million	49%
Total	RMB10 Million	100%

Fiscal Year: from January 1 to December 31 of each calendar year

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EXHIBIT 2:

Form of Exercise Notice

To: [Name of Existing Shareholder]

Reference is hereby made to the Exclusive Equity Option Agreement dated December 31, 2009 by and among Fenghuang On-line (Beijing) Information Technology Co., Ltd. (the "Company"), you, and Yifeng Lianhe (Beijing) Technology Co., Ltd. ("Yifeng Lianhe"), pursuant to which it is agreed that, subject to the PRC Law and at the request of the Company, you shall transfer the equity interests you hold or your company holds in Yifeng Lianhe to the Company or any third party appointed by the Company.

Therefore, the Company hereby informs you as follows:

The Company hereby requests to exercise the Equity Options under the Exclusive Equity Option Agreement and it/[name of company/individual] appointed by the Company shall accept % of the equity interests which you hold in Yifeng Lianhe (the "Subject Equity"). Please transfer immediately all the Subject Equity to the Company/[name of company/individual] appointed by the Company in accordance with the Exclusive Equity Option Agreement.

Sincerely Yours,

Fenghuang On-line (Beijing) Information Technology Co., Ltd.  
(seal)

Authorized Representative:

Date:

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EXHIBIT 3:

Power of Attorney

I, Yansheng He, hereby irrevocably authorize (ID No.: ) to act as my trustee, who in such capacity may sign the equity transfer agreement by and among I, Fenghuang On-line (Beijing) Information Technology Co., Ltd. and/or another related party with respect to the transfer of the equity interests which I and/or other shareholders hold in Yifeng Lianhe (Beijing) Technology Co., Ltd. and all other relevant legal documents, and handle all registration procedures required by the equity transfer hereunder with the relevant administration for industry and commerce.

By: /s/Yansheng He

Name: Yansheng He

Date: December 31, 2009

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Power of Attorney

I, Yinxia Liu, hereby irrevocably authorize (ID No.: ) to act as my trustee, who in such capacity may sign the equity transfer agreement by and among I, Fenghuang On-line (Beijing) Information Technology Co., Ltd. and/or another related party with respect to the transfer of the equity interests which I and/or other shareholders hold in Yifeng Lianhe (Beijing) Technology Co., Ltd. and all other relevant legal documents, and handle all registration procedures required by the equity transfer hereunder with the relevant administration for industry and commerce.

By: /s/Yinxia Liu

Name: Yinxia Liu

Date: December 31, 2009

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**Equity Pledge Agreement**

**of Beijing Tianying Jiuzhou Network Technology Co., Ltd.**

**by and among**

**Haiyan Qiao,**

**Ximin Gao,**

**and**

**Fenghuang On-line (Beijing) Information Technology Co., Ltd.**

**December 31, 2009**

**Equity Pledge Agreement**

This Equity Pledge Agreement (the "Agreement") is entered into by the following parties on December 31, 2009 in Beijing, the People's Republic of China ("PRC" or "China"):

(1) Haiyan Qiao  
ID No.:

(2) Ximin Gao  
ID No.:

(Haiyan Qiao and Ximin Gao are referred to hereinafter individually as a "Pledgor" and collectively as "Pledgors")

and

(3) Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Pledgee") Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China Legal Representative: Liu Shuang

Each of the foregoing parties is referred to hereinafter individually as a "Party" and collectively as "Parties".

WHEREAS:

- (1) Pledgors are shareholders on record of Beijing Tianying Jiuzhou Network Technology Co., Ltd. (the "Company", with its registered address at Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing 100081 China and its legal representative being Haiyan Qiao) holding all the equity interest in the Company (the "Company Equity"); and as of the date hereof, the amount of capital contributed and the percentage of shares held by each Pledgor in the registered capital of the Company are set forth in Exhibit 1 hereto;
- (2) Pursuant to the Loan Agreement dated December 31, 2009 by and between Pledgee and Pledgors (the "Loan Agreement"), Pledgee advanced a loan in the aggregate amount of RMB10 million to Pledgors;
- (3) Pursuant to the Exclusive Equity Option Agreement dated December 31, 2009 by and among Pledgors, Pledgee and the Company (the "Equity Option Agreement"), Pledgors shall at Pledgee's request transfer their equity interests in the Company, in whole or in part, to Pledgee and/or its designated entity or individual to the extent permitted by the PRC Law;

- (4) Pursuant to the Voting Right Entrust Agreement dated December 31, 2009 by and among Pledgee, the Company and Pledgors (the "Voting Right Entrust Agreement"), certain individuals designated by Pledgee have been fully entrusted by Pledgors to exercise on their behalf all the voting rights Pledgors enjoy as shareholders of the Company;
- (5) Pursuant to the Exclusive Technical Consulting and Service Agreement dated December 31, 2009 by and between Pledgee and the Company (the "Service Agreement"), Pledgee has been engaged by the Company exclusively to provide the Company with relevant technical license and technical support services, for which the Company will pay Pledgee corresponding license and services fees; and
- (6) as a collateral security for the performance of the Contractual Obligations (defined below) by Pledgors and the Company and for the discharge of the Secured Liabilities (defined below), Pledgors agree to pledge all the Company Equity held by Pledgors to Pledgee and give Pledgee a first priority right of compensation.

NOW, THEREFORE, the Parties have agreed as follows upon friendly consultation:

1.1 Unless otherwise interpreted pursuant to the terms or context herein, each of the terms used herein shall have the meaning ascribed to it below:

“Collateral” shall mean all the Company Equity which Pledgors legally hold as of the date hereof and will pledge to Pledgee pursuant to this Agreement as a collateral security for the performance of the Contractual Obligations by Pledgors and the Company (the specific equity interests of each Pledgor to be so pledged are set forth in Exhibit 1 thereto), as well as additional capital contributions made and dividends distributed pursuant to Sections 2.6 and 2.7 hereof.

“Contractual Obligations” shall mean all contractual obligations of Pledgors under the Equity Option Agreement, the Voting Right Entrust Agreement, the Loan Agreement, and this Agreement as well as all contractual obligations of the Company under the Equity Option Agreement, the Voting Right Entrust Agreement, and the Service Agreement.

“Event of Default” shall mean any of the following event: (i) any breach by any Pledgor of any of its Contractual Obligations under the Equity Option

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Agreement, the Loan Agreement, the Voting Right Entrust Agreement, or this Agreement; (ii) any breach by the Company of any of its Contractual Obligations under the Equity Option Agreement, the Voting Right Entrust Agreement or the Service Agreement; or (iii) any of the Equity Option Agreement, the Loan Agreement, the Voting Right Entrust Agreement, the Service Agreement or this Agreement is rendered invalid or unenforceable on account of change(s) to any PRC Law or the promulgation of new PRC Law(s) or otherwise and no alternative arrangement can be found by Pledgee for the realization of its purposes under the Transaction Documents.

“Equity Pledge” shall have the meaning ascribed to it in Section 2.2 hereof.

“Power of Attorney” shall have the meaning ascribed to it in Section 12.12 hereof.

“PRC Law” shall mean the then current PRC laws, regulations, rules, local stipulations, interpretations and other normative documents with binding force.

“Rights” shall have the meaning ascribed to it in Section 12.7 hereof.

“Secured Liabilities” shall mean any and all direct, indirect, incidental losses and loss of foreseeable profit of Pledgee as a result of any Event of Default of Pledgor(s) and/or the Company, the amount of which may to be determined by Pledgee in its absolute discretion to the extent permitted by the PRC Laws and to which Pledgor(s) shall be subject, as well as all costs and expenses incurred by Pledgee in enforcing the Contractual Obligations of Pledgor(s) and/or the Company.

“Transaction Documents” shall mean the Equity Option Agreement, the Loan Agreement, the Voting Right Entrust Agreement and the Service Agreement.

1.2 Any reference herein to any PRC Law shall be deemed:

- (1) to include amendments, revisions, additions and updates to such PRC Law, whether enacted prior to or after the execution of this Agreement; and
- (2) to include other decisions, notices and rules promulgated or enacted in accordance with the provisions of such PRC Law.

1.3 Unless otherwise stated herein, references to articles, sections, subsections and paragraphs herein shall mean Articles, Sections, Subsections and Paragraphs of this Agreement.

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## ARTICLE TWO EQUITY PLEDGE

2.1 Pledgors hereby agree to pledge to Pledgee the Collateral which Pledgors legally own and of which Pledgors have the right to dispose pursuant to this Agreement as a collateral security for the performance of the Contractual Obligations and the discharge of the Secured Liabilities.

2.2 Pledgors shall cause entry of the pledge arrangement of the equity interest hereunder (the “Equity Pledge”) onto the shareholder register of the Company on the date hereof, provide the entry document thereof to Pledgee in form satisfactory to it, and issue to Pledgee a certification document evidencing that the Equity Pledge has been registered with the relevant administration for industry and commerce within fifteen (15) days following the execution of this Agreement.

2.3 Pledgee shall not be held responsible for any depreciation of value of the Collateral during the term hereof and Pledgors shall not have any right of recourse or claim against Pledgee, unless such value depreciation arises out of Pledgee’s willful misconduct, or out of Pledgee’s gross negligence which constitutes the immediate cause of such depreciation.

2.4 Subject to the provisions of Section 2.3 above, in the event that Pledgee’s interests is fully exposed to any possible material depreciation of value of the Collateral, Pledgee may at any time sell off or auction the Collateral on behalf of Pledgors and, upon mutual agreement with Pledgors, the proceeds thereof may be applied to earlier discharge of the Secured Liabilities or placed in escrow with the public notary of the area where Pledgee is located at Pledgors’ own expense.

2.5 In the event of any Event of Default, Pledgee shall have the right to dispose of the Collateral pursuant to Article Four hereof.

- 2.6 Pledgors may increase their contribution to the registered capital of the Company only upon Pledgee's prior consent. Any such additional capital contribution of Pledgors shall also be deemed part of Collateral.
- 2.7 Pledgors are entitled to receive dividend or interest in respect of the Collateral only upon Pledgee's prior consent. Such dividend or interest shall be deposited into an escrow account designated and supervised by Pledgee, and be applied to the discharge of the Secured Liabilities in the first priority.
- 2.8 In the event of occurrence of any Event of Default, Pledgee shall have the right to dispose of any Collateral pursuant to the provisions hereof.

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### ARTICLE THREE RELEASE OF PLEDGE

Upon the full and complete fulfillment of the Contractual Obligations and discharge of the Secured Liabilities by Pledgors and the Company, Pledgee shall, upon Pledgors' request, release the pledge hereunder and assist Pledgors in deregistering the Equity Pledge with the relevant administration for industry and commerce, and reasonable expenses arising out of such deregistration shall be borne by Pledgee.

### ARTICLE FOUR DISPOSITION OF COLLATERAL

- 4.1 Pledgors and Pledgee hereby agree that following the occurrence of any Event of Default, Pledgee, upon notifying Pledgors in writing, shall have the right to exercise all remedies and power available to Pledgee under the PRC Law, the Transaction Documents, and the terms and conditions of this Agreement, including but not limited to selling off or auctioning the Collateral so as to satisfy its first priority right of compensation, and Pledgee will not be responsible for any losses arising out of its reasonable exercise of such remedies and power.
- 4.2 Pledgee shall have the right to designate in writing its counsel or other attorney to exercise any or all of the foregoing remedies and power on behalf of Pledgee and Pledgors may not raise any objection to such designation.
- 4.3 All reasonable costs and expenses incurred by Pledgee in exercising any or all of the foregoing remedies and power shall be borne by Pledgors and Pledgee shall have the right to deduct such costs and expenses from the proceeds generated by such exercise.
- 4.4 Any and all proceeds obtained by Pledgee from exercising any or all of the foregoing remedies and power shall be applied in the following order:
- (a) to the payment of any and all costs and expenses of the disposition of the Collateral and the exercise of the remedies and power by Pledgee, including without limitation the court fees and Pledgee's counsel and attorney fees;
  - (b) to the payment of taxes payable in connection with the disposition of the Collateral; and
  - (c) to the repayment of the Secured Liabilities to Pledgee.

Any surplus then remaining from such proceeds shall be handed over by Pledgee to Pledgors or any other person who is entitled to such proceeds

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pursuant to law and regulation, or placed in escrow, at Pledgors' costs and expenses, with the public notary of the area where Pledgee is located.

- 4.5 Pledgee shall have the option to exercise its remedies concurrently or otherwise and will not be obligated to exercise any other remedies before exercising its right to sell off or auction the Collateral hereunder.

### ARTICLE FIVE COSTS AND EXPENSES

All actual costs and expenses arising out of the creation of the Equity Pledge hereunder, including without limitation stamp tax, any other taxes and all legal expenses, shall be borne by Pledgee.

### ARTICLE SIX CONTINUITY; NO WAIVER

The Equity Pledge created hereunder shall constitute a continuous security, the validity of which shall continue until the Contractual Obligations are fully performed or the Secured Liabilities fully discharged. No waiver or excuse by Pledgee of any Event of Default by Pledgors and no delay in exercising by Pledgee of any of its rights under the Transaction Documents and this Agreement shall impair Pledgee's right under this Agreement, the relevant PRC Law and the Transaction Documents to require at any time hereafter for the strict compliance with the Transaction Documents and this Agreement by Pledgors or any other right Pledgee may have as a result of any breach by Pledgors of their obligations under the Transaction Documents and/or this Agreement.

### ARTICLE SEVEN REPRESENTATIONS AND WARRANTIES

Each Pledgor hereby, jointly and severally, represents and warrants to Pledgee that

- 7.1 each of them is a PRC citizen with full capacity, has full and independent legal status and capacity, has obtained appropriate authorization to sign, deliver and perform this Agreement, and may act as an independent litigation subject;
- 7.2 each of them has full power and authorization to sign and deliver this Agreement as well as all other documents to be signed by each in connection with the transaction anticipated herein and to consummate such transaction;

7.3 all reports, documents and information provided by Pledgors to Pledgee prior to the coming into effect of this Agreement in connection with Pledgors and matters required hereunder are true, correct, and valid in all material aspects at the time the same were provided;

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7.4 all reports, documents and information provided by Pledgors to Pledgee following the coming into effect of this Agreement in connection with Pledgors and matters required hereunder are true, correct, and valid in all material aspects at the time the same were provided;

7.5 at the time this Agreement becomes effective, Pledgors are the only legal owner of the Collateral with full power to dispose of the Collateral or any part thereof, and there is no existing dispute over the ownership of the Collateral;

7.6 apart from the security interests placed on the Collateral pursuant to this Agreement or the rights created under the Transaction Documents, there is no other security interests or third party right over the Collateral;

7.7 the Collateral is pledgeable and assignable under law and Pledgors have full rights and power to pledge the Collateral to Pledgee in accordance with the provisions hereof;

7.8 this Agreement is duly signed by Pledgors and constitutes their legal, valid and binding obligations;

7.9 any third party consent, permission, waiver, authorization, or any government approval, license, exemption, or any registration or filing procedures with any government agency in connection with the execution and performance of this Agreement and the creation of the Equity Pledge hereunder, has been obtained or processed (to the extent legally required) and will remain fully valid during the term hereof;

7.10 the execution and performance by Pledgors of this Agreement will not violate or conflict with all laws applicable to Pledgors, or any agreement, judgment, arbitral award, administrative decision to which they are a party or by which any of their assets are bound;

7.11 the pledge hereunder shall constitute the first priority security on the Collateral;

7.12 there is no pending, or to the best knowledge of Pledgors, threatened litigation, legal proceeding or claim against Pledgors, their assets, or the Collateral before any court or arbitration tribunal, and there is no pending, or to the best knowledge of Pledgors, threatened litigation, legal proceeding or claim against Pledgors, their assets, or the Collateral at any government or any administrative organization, which may have material or adverse effect on the financial status of Pledgors or their ability to fulfill their

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obligations and responsibilities hereunder; and

7.13 the foregoing representations and warranties is true and correct at any time and in any circumstances and be fully abided by the Pledgors until all the Contractual Obligations are performed or all the Secured Liabilities are discharged.

#### ARTICLE EIGHT PLEDGORS' UNDERTAKING

Each Pledgor hereby, jointly and severally, undertakes to Pledgee that

8.1 without Pledgee's prior consent in writing, Pledgors may not create or permit to be created any new pledge or any other security interests on the Collateral, and any and all pledges or any other security interests placed on the Collateral, in whole or in part, without Pledgee's prior consent in writing shall be null and void;

8.2 Pledgors may not transfer the Collateral without first notifying Pledgee in writing and obtaining its prior consent in writing, and any and all attempted transfers of the Collateral by Pledgors shall be null and void; proceeds from Pledgors' transfer of the Collateral shall be first applied to the earlier discharge of the Secured Liabilities or placed in escrow with the third party agreed to by Pledgee; and transfer by any Pledgor of the Collateral in its possession upon Pledgee's consent shall not affect the Collateral under possession of the other Pledgor, which shall continue to be bound by this Agreement;

8.3 in the event of any litigation, legal proceeding or claim which may have any adverse effect on the interest of Pledgors or Pledgee under the Transaction Documents and this Agreement or the Collateral, Pledgors shall promptly notify Pledgee in writing and, at Pledgee's reasonable request, take all necessary actions to safeguard Pledgee's interests in the Collateral;

8.4 Pledgors will not take or permit to be taken any action which may have any adverse effect on Pledgee's interests under the Transaction Documents and this Agreement or the Collateral;

8.5 at Pledgee's reasonable request, Pledgors will take all necessary measures and sign all necessary documents, including but not limited to any supplemental agreement hereto, to ensure the execution and realization of Pledgee's interests in and rights to the Collateral; and

8.6 in the event of any transfer of the Collateral as a result of the exercise of the pledge right hereunder, Pledgors shall take all necessary measures to

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effectuate such transfer.

In addition to but not in contradiction with the other terms and conditions of the Transaction Documents and this Agreement, if at any time due to the promulgation or change of any PRC Law, or any change to the interpretation or application thereof, or any change to the relevant registration procedures, maintaining the validity of this Agreement and/or disposing of the Collateral in the manner described herein is deemed by Pledgee to be invalid or contradictory to such PRC Law, Pledgors shall forthwith take any action and/or sign any document or other instrument according to the written instructions and reasonable request of Pledgee, so as to

- (1) keep this Agreement valid;
- (2) facilitate the disposition of the Collateral in the manner described herein; and
- (3) maintain or realize the purposes of this Agreement or the security interests created hereunder.

ARTICLE TEN EFFECTIVENESS AND TERM

- 10.1 This Agreement shall become effective on the date on which it is duly signed by the Parties.
- 10.2 The term of this Agreement shall continue until the Contractual Obligations are fully performed or the Secured Liabilities are fully discharged.

ARTICLE ELEVEN NOTICE

- 11.1 Any and all notices, requests, instructions or other communications required to be made hereof or made pursuant to this Agreement by one Party to the other hereunder shall be made in writing.
- 11.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

ARTICLE TWELVE MISCELLANEOUS

- 12.1 Upon notifying Pledgors, Pledgee may transfer its rights and/or obligations hereunder to any third party without Pledgors consent, but Pledgors may not transfer their rights, obligations or liabilities hereunder to any third party without Pledgee's prior consent in writing. The successors or permitted

assigns of Pledgors (if any) shall continue to perform Pledgors' obligations under this Agreement.

- 12.2 The amount of the Secured Liabilities determined by Pledgee at its own discretion when exercising its right of pledge to the Collateral pursuant to this Agreement shall be conclusive evidence of the Secured Liabilities hereunder.
- 12.3 This Agreement is made in Chinese in three (3) original copies, with each Party hereto holding one (1) copy, provided that more duly signed copies of this Agreement may be added for registration or filing purposes (where necessary).
- 12.4 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the PRC Law.
- 12.5 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of such commission then in effect. The arbitration shall be conducted in Beijing and the arbitral award shall be final and binding upon both Parties.
- 12.6 The rights, power and remedies provided for either Party herein shall not exclude any other rights, power or remedies to which such Party is entitled under law, regulations, and other provisions herein, and the exercise by one Party of its right, power, or remedies shall not hinder its exercise of any other right, power, or remedies.
- 12.7 Failure to exercise or delay in exercising any right, power, or remedies under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of such Rights, and waiver of any single or partial exercise of the Rights shall not exclude the exercise of the Rights in any other manner or the exercise of any other Rights.
- 12.8 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.
- 12.9 All provisions herein are separable and independent of any other provisions. If one or more provisions hereof are held invalid, illegal or unenforceable at any time, the validity, legality and enforceability of the remaining provisions

of this Agreement shall not be adversely affected thereby.

- 12.10 Amendment or addition to this Agreement shall be made in writing and may not become effective unless and until duly executed by the Parties, Pledgee's transfer of its rights hereunder pursuant to Section 12.1 hereof excepted.

12.11 Subject to Section 12.1 above, this Agreement shall be binding on the legal assigns of the Parties hereto.

12.12 Pledgors agree to authorize any individual ("Trustee") appointed by Pledgee to sign on their behalf any and all legal documents required by Pledgee in exercising its rights hereunder. Concurrently herewith, Pledgors shall each sign a power of attorney in form attached hereto as Exhibit 2 ("Power of Attorney") and place such Power of Attorney as duly signed by them under the custody of Pledgee, who may submit such Power of Attorney to the relevant government whenever necessary. Upon and only upon notification in writing from Pledgee to Pledgors regarding the replacement of Trustee, Pledgors shall forthwith cancel their authorization to the existing Trustee and authorize such other Trustee appointed by Pledgee then to sign on their behalf any and all legal documents required by Pledgee in exercising its rights hereunder. The new Power of Attorney, once made, shall replace the original one. In no other circumstances may Pledgors cancel their Power of Attorney to the Trustee.

[Remainder of the page left blank intentionally]

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[signature page]

IN WITNESS HEREOF, the Parties have signed this Equity Pledge Agreement as of the date and in the place first written above.

Haiyan Qiao

By: /s/ Haiyan Qiao

Ximin Gao

By: /s/ Ximin Gao

Fenghuang On-line (Beijing) Information Technology Co., Ltd. (seal)

By: /s/Shuang Liu

Name: Shuang Liu

Title: CEO

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EXHIBIT 1:

Background Information of the Company.

Name: Beijing Tianying Jiuzhou Network Technology Co., Ltd.  
Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China  
Registered Capital: RMB10 Million  
Legal Representative: Haiyan Qiao  
Equity Structure:

<u>Shareholder Name</u>	<u>Amount of Registered Capital Owned</u>	<u>Percentage of Capital Contribution</u>
Haiyan Qiao	RMB5.1 Million	51%
Ximin Gao	RMB4.9 Million	49%
Total	RMB10 Million	100%

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EXHIBIT 2:

Power of Attorney.

I, Haiyan Qiao, hereby irrevocably authorize (ID No.: ) to act as my trustee, who in such capacity may sign any and all legal documents required by Beijing Tianying Jiuzhou Network Technology Co., Ltd. in exercising its rights under the Equity Pledge Agreement of Beijing Tianying Jiuzhou Network Technology Co., Ltd. by and among such company, myself and another party thereto and handle all registration procedures required by the equity pledge hereunder with the relevant administration for industry and commerce.

By: /s/ Haiyan Qiao

Name: Haiyan Qiao

Date: December 31, 2009



Power of Attorney.

I, Ximin Gao, hereby irrevocably authorize (ID No.: ) to act as my trustee, who in such capacity may sign any and all legal documents required by Beijing Tianying Jiuzhou Network Technology Co., Ltd. in exercising its rights under the Equity Pledge Agreement of Beijing Tianying Jiuzhou Network Technology Co., Ltd. by and among such company, myself and another party thereto and handle all registration procedures required by the equity pledge hereunder with the relevant administration for industry and commerce.

By: /s/Ximin Gao

Name: Ximin Gao

Date: December 31, 2009

**Equity Pledge Agreement**  
**of Yifeng Lianhe (Beijing) Technology Co., Ltd.**

by and among

**Yansheng He,**

**Yinxia Liu,**

and

**Fenghuang On-line (Beijing) Information Technology Co., Ltd.**

December 31, 2009

**Equity Pledge Agreement**

1

This Equity Pledge Agreement (the "Agreement") is entered into by the following parties on December 31, 2009 in Beijing, the People's Republic of China ("PRC" or "China"):

(1) Yansheng He  
ID No.:

(2) Yinxia Liu  
ID No.:

(Yansheng He and Yinxia Liu are referred to hereinafter individually as a "Pledgor" and collectively as "Pledgors")

and

(3) Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Pledgee") Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China  
Legal Representative: Liu Shuang

Each of the foregoing parties is referred to hereinafter individually as a "Party" and collectively as "Parties".

WHEREAS:

- (1) Pledgors are shareholders on record of Yifeng Lianhe (Beijing) Technology Co., Ltd. (the "Company", with its registered address at Fusheng Building Tower 2 Floor 16, No.4 Hui Xin Dong Jie, Chaoyang District, Beijing 100029 China and its legal representative being Yansheng He) holding all the equity interest in the Company (the "Company Equity"); and as of the date hereof, the amount of capital contributed and the percentage of shares held by each Pledgor in the registered capital of the Company are set forth in Exhibit 1 hereto;
- (2) Pursuant to the Loan Agreement dated December 31, 2009 by and between Pledgee and Pledgors (the "Loan Agreement"), Pledgee advanced a loan in the aggregate amount of RMB10 million to Pledgors;
- (3) Pursuant to the Exclusive Equity Option Agreement dated December 31, 2009 by and among Pledgors, Pledgee and the Company (the "Equity Option Agreement"), Pledgors shall at Pledgee's request transfer their equity interests in the Company, in whole or in part, to Pledgee and/or its designated entity or individual to the extent permitted by the PRC Law;

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- (4) Pursuant to the Voting Right Entrust Agreement dated December 31, 2009 by and among Pledgee, the Company and Pledgors (the "Voting Right Entrust Agreement"), certain individuals designated by Pledgee have been fully entrusted by Pledgors to exercise on their behalf all the voting rights Pledgors enjoy as shareholders of the Company;
- (5) Pursuant to the Exclusive Technical Consulting and Service Agreement dated December 31, 2009 by and between Pledgee and the Company (the "Service Agreement"), Pledgee has been engaged by the Company exclusively to provide the Company with relevant technical license and technical

support services, for which the Company will pay Pledgee corresponding license and services fees; and

- (6) as a collateral security for the performance of the Contractual Obligations (defined below) by Pledgors and the Company and for the discharge of the Secured Liabilities (defined below), Pledgors agree to pledge all the Company Equity held by Pledgors to Pledgee and give Pledgee a first priority right of compensation.

NOW, THEREFORE, the Parties have agreed as follows upon friendly consultation:

#### ARTICLE ONE DEFINITION

- 1.1 Unless otherwise interpreted pursuant to the terms or context herein, each of the terms used herein shall have the meaning ascribed to it below:

“Collateral” shall mean all the Company Equity which Pledgors legally hold as of the date hereof and will pledge to Pledgee pursuant to this Agreement as a collateral security for the performance of the Contractual Obligations by Pledgors and the Company (the specific equity interests of each Pledgor to be so pledged are set forth in Exhibit 1 thereto), as well as additional capital contributions made and dividends distributed pursuant to Sections 2.6 and 2.7 hereof.

“Contractual Obligations” shall mean all contractual obligations of Pledgors under the Equity Option Agreement, the Voting Right Entrust Agreement, the Loan Agreement, and this Agreement as well as all contractual obligations of the Company under the Equity Option Agreement, the Voting Right Entrust Agreement, and the Service Agreement.

“Event of Default” shall mean any of the following event: (i) any breach by any Pledgor of any of its Contractual Obligations under the Equity Option Agreement, the Loan Agreement, the Voting Right Entrust Agreement, or

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this Agreement; (ii) any breach by the Company of any of its Contractual Obligations under the Equity Option Agreement, the Voting Right Entrust Agreement or the Service Agreement; or (iii) any of the Equity Option Agreement, the Loan Agreement, the Voting Right Entrust Agreement, the Service Agreement or this Agreement is rendered invalid or unenforceable on account of change(s) to any PRC Law or the promulgation of new PRC Law(s) or otherwise and no alternative arrangement can be found by Pledgee for the realization of its purposes under the Transaction Documents.

“Equity Pledge” shall have the meaning ascribed to it in Section 2.2 hereof.

“Power of Attorney” shall have the meaning ascribed to it in Section 12.12 hereof.

“PRC Law” shall mean the then current PRC laws, regulations, rules, local stipulations, interpretations and other normative documents with binding force.

“Rights” shall have the meaning ascribed to it in Section 12.7 hereof.

“Secured Liabilities” shall mean any and all direct, indirect, incidental losses and loss of foreseeable profit of Pledgee as a result of any Event of Default of Pledgor(s) and/or the Company, the amount of which may to be determined by Pledgee in its absolute discretion to the extent permitted by the PRC Laws and to which Pledgor(s) shall be subject, as well as all costs and expenses incurred by Pledgee in enforcing the Contractual Obligations of Pledgor(s) and/or the Company.

“Transaction Documents” shall mean the Equity Option Agreement, the Loan Agreement, the Voting Right Entrust Agreement and the Service Agreement.

- 1.2 Any reference herein to any PRC Law shall be deemed:

- (1) to include amendments, revisions, additions and updates to such PRC Law, whether enacted prior to or after the execution of this Agreement; and
- (2) to include other decisions, notices and rules promulgated or enacted in accordance with the provisions of such PRC Law.

- 1.3 Unless otherwise stated herein, references to articles, sections, subsections and paragraphs herein shall mean Articles, Sections, Subsections and Paragraphs of this Agreement.

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#### ARTICLE TWO EQUITY PLEDGE

- 2.1 Pledgors hereby agree to pledge to Pledgee the Collateral which Pledgors legally own and of which Pledgors have the right to dispose pursuant to this Agreement as a collateral security for the performance of the Contractual Obligations and the discharge of the Secured Liabilities.
- 2.2 Pledgors shall cause entry of the pledge arrangement of the equity interest hereunder (the “Equity Pledge”) onto the shareholder register of the Company on the date hereof, provide the entry document thereof to Pledgee in form satisfactory to it, and issue to Pledgee a certification document evidencing that the Equity Pledge has been registered with the relevant administration for industry and commerce within fifteen (15) days following the execution of this Agreement.

- 2.3 Pledgee shall not be held responsible for any depreciation of value of the Collateral during the term hereof and Pledgors shall not have any right of recourse or claim against Pledgee, unless such value depreciation arises out of Pledgee's willful misconduct, or out of Pledgee's gross negligence which constitutes the immediate cause of such depreciation.
- 2.4 Subject to the provisions of Section 2.3 above, in the event that Pledgee's interests is fully exposed to any possible material depreciation of value of the Collateral, Pledgee may at any time sell off or auction the Collateral on behalf of Pledgors and, upon mutual agreement with Pledgors, the proceeds thereof may be applied to earlier discharge of the Secured Liabilities or placed in escrow with the public notary of the area where Pledgee is located at Pledgors' own expense.
- 2.5 In the event of any Event of Default, Pledgee shall have the right to dispose of the Collateral pursuant to Article Four hereof.
- 2.6 Pledgors may increase their contribution to the registered capital of the Company only upon Pledgee's prior consent. Any such additional capital contribution of Pledgors shall also be deemed part of Collateral.
- 2.7 Pledgors are entitled to receive dividend or interest in respect of the Collateral only upon Pledgee's prior consent. Such dividend or interest shall be deposited into an escrow account designated and supervised by Pledgee, and be applied to the discharge of the Secured Liabilities in the first priority.
- 2.8 In the event of occurrence of any Event of Default, Pledgee shall have the right to dispose of any Collateral pursuant to the provisions hereof.

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### ARTICLE THREE RELEASE OF PLEDGE

Upon the full and complete fulfillment of the Contractual Obligations and discharge of the Secured Liabilities by Pledgors and the Company, Pledgee shall, upon Pledgors' request, release the pledge hereunder and assist Pledgors in deregistering the Equity Pledge with the relevant administration for industry and commerce, and reasonable expenses arising out of such deregistration shall be borne by Pledgee.

### ARTICLE FOUR DISPOSITION OF COLLATERAL

- 4.1 Pledgors and Pledgee hereby agree that following the occurrence of any Event of Default, Pledgee, upon notifying Pledgors in writing, shall have the right to exercise all remedies and power available to Pledgee under the PRC Law, the Transaction Documents, and the terms and conditions of this Agreement, including but not limited to selling off or auctioning the Collateral so as to satisfy its first priority right of compensation, and Pledgee will not be responsible for any losses arising out of its reasonable exercise of such remedies and power.
- 4.2 Pledgee shall have the right to designate in writing its counsel or other attorney to exercise any or all of the foregoing remedies and power on behalf of Pledgee and Pledgors may not raise any objection to such designation.
- 4.3 All reasonable costs and expenses incurred by Pledgee in exercising any or all of the foregoing remedies and power shall be borne by Pledgors and Pledgee shall have the right to deduct such costs and expenses from the proceeds generated by such exercise.
- 4.4 Any and all proceeds obtained by Pledgee from exercising any or all of the foregoing remedies and power shall be applied in the following order:
- (a) to the payment of any and all costs and expenses of the disposition of the Collateral and the exercise of the remedies and power by Pledgee, including without limitation the court fees and Pledgee's counsel and attorney fees;
  - (b) to the payment of taxes payable in connection with the disposition of the Collateral; and
  - (c) to the repayment of the Secured Liabilities to Pledgee.

Any surplus then remaining from such proceeds shall be handed over by Pledgee to Pledgors or any other person who is entitled to such proceeds pursuant to law and regulation, or placed in escrow, at Pledgors' costs and

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expenses, with the public notary of the area where Pledgee is located.

- 4.5 Pledgee shall have the option to exercise its remedies concurrently or otherwise and will not be obligated to exercise any other remedies before exercising its right to sell off or auction the Collateral hereunder.

### ARTICLE FIVE COSTS AND EXPENSES

All actual costs and expenses arising out of the creation of the Equity Pledge hereunder, including without limitation stamp tax, any other taxes and all legal expenses, shall be borne by Pledgee.

### ARTICLE SIX CONTINUITY; NO WAIVER

The Equity Pledge created hereunder shall constitute a continuous security, the validity of which shall continue until the Contractual Obligations are fully performed or the Secured Liabilities fully discharged. No waiver or excuse by Pledgee of any Event of Default by Pledgors and no delay in exercising by Pledgee of any of its rights under the Transaction Documents and this Agreement shall impair Pledgee's right under this Agreement, the relevant PRC Law and the Transaction Documents to require at any time hereafter for the strict compliance with the Transaction Documents and this Agreement by Pledgors or any other right Pledgee may have as a result of any breach by Pledgors of their obligations under the Transaction Documents and/or this Agreement.

ARTICLE SEVEN REPRESENTATIONS AND WARRANTIES

Each Pledgor hereby, jointly and severally, represents and warrants to Pledgee that

- 7.1 each of them is a PRC citizen with full capacity, has full and independent legal status and capacity, has obtained appropriate authorization to sign, deliver and perform this Agreement, and may act as an independent litigation subject;
- 7.2 each of them has full power and authorization to sign and deliver this Agreement as well as all other documents to be signed by each in connection with the transaction anticipated herein and to consummate such transaction;
- 7.3 all reports, documents and information provided by Pledgors to Pledgee prior to the coming into effect of this Agreement in connection with Pledgors and matters required hereunder are true, correct, and valid in all material aspects at the time the same were provided;

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- 7.4 all reports, documents and information provided by Pledgors to Pledgee following the coming into effect of this Agreement in connection with Pledgors and matters required hereunder are true, correct, and valid in all material aspects at the time the same were provided;
- 7.5 at the time this Agreement becomes effective, Pledgors are the only legal owner of the Collateral with full power to dispose of the Collateral or any part thereof, and there is no existing dispute over the ownership of the Collateral;
- 7.6 apart from the security interests placed on the Collateral pursuant to this Agreement or the rights created under the Transaction Documents, there is no other security interests or third party right over the Collateral;
- 7.7 the Collateral is pledgeable and assignable under law and Pledgors have full rights and power to pledge the Collateral to Pledgee in accordance with the provisions hereof;
- 7.8 this Agreement is duly signed by Pledgors and constitutes their legal, valid and binding obligations;
- 7.9 any third party consent, permission, waiver, authorization, or any government approval, license, exemption, or any registration or filing procedures with any government agency in connection with the execution and performance of this Agreement and the creation of the Equity Pledge hereunder, has been obtained or processed (to the extent legally required) and will remain fully valid during the term hereof;
- 7.10 the execution and performance by Pledgors of this Agreement will not violate or conflict with all laws applicable to Pledgors, or any agreement, judgment, arbitral award, administrative decision to which they are a party or by which any of their assets are bound;
- 7.11 the pledge hereunder shall constitute the first priority security on the Collateral;
- 7.12 there is no pending, or to the best knowledge of Pledgors, threatened litigation, legal proceeding or claim against Pledgors, their assets, or the Collateral before any court or arbitration tribunal, and there is no pending, or to the best knowledge of Pledgors, threatened litigation, legal proceeding or claim against Pledgors, their assets, or the Collateral at any government or any administrative organization, which may have material or adverse effect on the financial status of Pledgors or their ability to fulfill their obligations and responsibilities hereunder; and

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- 7.13 the foregoing representations and warranties is true and correct at any time and in any circumstances and be fully abided by the Pledgors until all the Contractual Obligations are performed or all the Secured Liabilities are discharged.

ARTICLE EIGHT PLEDGORS' UNDERTAKING

Each Pledgor hereby, jointly and severally, undertakes to Pledgee that

- 8.1 without Pledgee's prior consent in writing, Pledgors may not create or permit to be created any new pledge or any other security interests on the Collateral, and any and all pledges or any other security interests placed on the Collateral, in whole or in part, without Pledgee's prior consent in writing shall be null and void;
- 8.2 Pledgors may not transfer the Collateral without first notifying Pledgee in writing and obtaining its prior consent in writing, and any and all attempted transfers of the Collateral by Pledgors shall be null and void; proceeds from Pledgors' transfer of the Collateral shall be first applied to the earlier discharge of the Secured Liabilities or placed in escrow with the third party agreed to by Pledgee; and transfer by any Pledgor of the Collateral in its possession upon Pledgee's consent shall not affect the Collateral under possession of the other Pledgor, which shall continue to be bound by this Agreement;
- 8.3 in the event of any litigation, legal proceeding or claim which may have any adverse effect on the interest of Pledgors or Pledgee under the Transaction Documents and this Agreement or the Collateral, Pledgors shall promptly notify Pledgee in writing and, at Pledgee's reasonable request, take all necessary actions to safeguard Pledgee's interests in the Collateral;
- 8.4 Pledgors will not take or permit to be taken any action which may have any adverse effect on Pledgee's interests under the Transaction Documents and this Agreement or the Collateral;
- 8.5 at Pledgee's reasonable request, Pledgors will take all necessary measures and sign all necessary documents, including but not limited to any supplemental agreement hereto, to ensure the execution and realization of Pledgee's interests in and rights to the Collateral; and

8.6 in the event of any transfer of the Collateral as a result of the exercise of the pledge right hereunder, Pledgors shall take all necessary measures to effectuate such transfer.

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ARTICLE NINE CHANGE OF CIRCUMSTANCES

In addition to but not in contradiction with the other terms and conditions of the Transaction Documents and this Agreement, if at any time due to the promulgation or change of any PRC Law, or any change to the interpretation or application thereof, or any change to the relevant registration procedures, maintaining the validity of this Agreement and/or disposing of the Collateral in the manner described herein is deemed by Pledgee to be invalid or contradictory to such PRC Law, Pledgors shall forthwith take any action and/or sign any document or other instrument according to the written instructions and reasonable request of Pledgee, so as to

- (1) keep this Agreement valid;
- (2) facilitate the disposition of the Collateral in the manner described herein; and
- (3) maintain or realize the purposes of this Agreement or the security interests created hereunder.

ARTICLE TEN EFFECTIVENESS AND TERM

10.1 This Agreement shall become effective on the date on which it is duly signed by the Parties.

10.2 The term of this Agreement shall continue until the Contractual Obligations are fully performed or the Secured Liabilities are fully discharged.

ARTICLE ELEVEN NOTICE

11.1 Any and all notices, requests, instructions or other communications required to be made hereof or made pursuant to this Agreement by one Party to the other hereunder shall be made in writing.

11.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

ARTICLE TWELVE MISCELLANEOUS

12.1 Upon notifying Pledgors, Pledgee may transfer its rights and/or obligations hereunder to any third party without Pledgors consent, but Pledgors may not transfer their rights, obligations or liabilities hereunder to any third party without Pledgee's prior consent in writing. The successors or permitted assigns of Pledgors (if any) shall continue to perform Pledgors' obligations

under this Agreement.

12.2 The amount of the Secured Liabilities determined by Pledgee at its own discretion when exercising its right of pledge to the Collateral pursuant to this Agreement shall be conclusive evidence of the Secured Liabilities hereunder.

12.3 This Agreement is made in Chinese in three (3) original copies, with each Party hereto holding one (1) copy, provided that more duly signed copies of this Agreement may be added for registration or filing purposes (where necessary).

12.4 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the PRC Law.

12.5 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of such commission then in effect. The arbitration shall be conducted in Beijing and the arbitral award shall be final and binding upon both Parties.

12.6 The rights, power and remedies provided for either Party herein shall not exclude any other rights, power or remedies to which such Party is entitled under law, regulations, and other provisions herein, and the exercise by one Party of its right, power, or remedies shall not hinder its exercise of any other right, power, or remedies.

12.7 Failure to exercise or delay in exercising any right, power, or remedies under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of such Rights, and waiver of any single or partial exercise of the Rights shall not exclude the exercise of the Rights in any other manner or the exercise of any other Rights.

12.8 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.

12.9 All provisions herein are separable and independent of any other provisions. If one or more provisions hereof are held invalid, illegal or unenforceable at any time, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.

- 12.10 Amendment or addition to this Agreement shall be made in writing and may not become effective unless and until duly executed by the Parties, Pledgee's transfer of its rights hereunder pursuant to Section 12.1 hereof excepted.
- 12.11 Subject to Section 12.1 above, this Agreement shall be binding on the legal assigns of the Parties hereto.
- 12.12 Pledgors agree to authorize any individual ("Trustee") appointed by Pledgee to sign on their behalf any and all legal documents required by Pledgee in exercising its rights hereunder. Concurrently herewith, Pledgors shall each sign a power of attorney in form attached hereto as Exhibit 2 ("Power of Attorney") and place such Power of Attorney as duly signed by them under the custody of Pledgee, who may submit such Power of Attorney to the relevant government whenever necessary. Upon and only upon notification in writing from Pledgee to Pledgors regarding the replacement of Trustee, Pledgors shall forthwith cancel their authorization to the existing Trustee and authorize such other Trustee appointed by Pledgee then to sign on their behalf any and all legal documents required by Pledgee in exercising its rights hereunder. The new Power of Attorney, once made, shall replace the original one. In no other circumstances may Pledgors cancel their Power of Attorney to the Trustee.

[Remainder of the page left blank intentionally]

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[signature page]

IN WITNESS HEREOF, the Parties have signed this Equity Pledge Agreement as of the date and in the place first written above.

Yansheng He

By: /s/ Yansheng He

Yinxia Liu

By: /s/ Yinxia Liu

Fenghuang On-line (Beijing) Information Technology Co., Ltd. (seal)

By: /s/Shuang Liu  
 Name: Shuang Liu  
 Title: CEO

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EXHIBIT 1:

Background Information of the Company

Name: Yifeng Lianhe (Beijing) Technology Co., Ltd.  
 Registered Address: Fusheng Building Tower 2 Floor 16, No.4 Hui Xin Dong Jie, Chaoyang District, Beijing 100029 China  
 Registered Capital: RMB10 Million  
 Legal Representative: Yansheng He  
 Equity Structure:

Shareholder Name	Amount of Registered Capital Owned	Percentage of Capital Contribution
Yansheng He	RMB6 Million	60%
Yinxia Liu	RMB4 Million	40%
Total	RMB10 Million	100%

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EXHIBIT 2:

Power of Attorney

I, Yansheng He, hereby irrevocably authorize (ID No.: ) to act as my trustee, who in such capacity may sign any and all legal documents required by Yifeng Lianhe (Beijing) Technology Co., Ltd. in exercising its rights under the Equity Pledge Agreement of Yifeng Lianhe (Beijing) Technology Co., Ltd. by and among such company, myself and another party thereto and handle all registration procedures required by the equity pledge hereunder with the relevant administration for industry and commerce.

By: /s/ Yansheng He  
Name: Yansheng He  
Date: December 31, 2009

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Power of Attorney.

I, Yinxia Liu, hereby irrevocably authorize (ID No.: ) to act as my trustee, who in such capacity may sign any and all legal documents required by Yifeng Lianhe (Beijing) Technology Co., Ltd. in exercising its rights under the Equity Pledge Agreement of Yifeng Lianhe (Beijing) Technology Co., Ltd. by and among such company, myself and another party thereto and handle all registration procedures required by the equity pledge hereunder with the relevant administration for industry and commerce.

By: /s/Yinxia Liu  
Name: Yinxia Liu  
Date: December 31, 2009

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**Exclusive Technical Consulting and Service Agreement**

by and between

**Fenghuang On-line (Beijing) Information Technology Co., Ltd.**

and

**Beijing Tianying Jiuzhou Network Technology Co., Ltd.**

**December 31, 2009**

**Exclusive Technical Consulting and Service Agreement**

This Exclusive Technical Consulting and Service Agreement (the "Agreement") is entered into by the following two Parties on December 31, 2009 in Beijing, the People's Republic of China ("China"):

- (1) Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("Party A")  
Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing 100081 China  
Legal Representative: Haiyan Qiao

and

- (2) Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Party B")  
Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing 100081 China  
Legal Representative: Shuang Liu

Party A and Party B are referred to herein individually as a "Party" and collectively as "Parties".

Recital

WHEREAS, Party A is a limited liability company duly registered and validly existing in Beijing, China, its main business being the provision of internet information services and information services pertaining to mobile network value-added telecommunication business; and

WHEREAS, Party B is a wholly foreign-owned enterprise duly registered and validly existing in Beijing, China, its main business being internet technology development and services;

WHEREAS, Party A decides to engage Party B, as the exclusive technical license and service provider of Party A, to provide relevant technical license, service and assistance to Party A, and Party B agrees to provide relevant technical services to Party A subject to the terms and conditions hereof.

NOW, THEREFORE, the Parties have agreed as follows upon friendly consultation:

ARTICLE ONE DEFINITION

- 1.1 Unless otherwise interpreted pursuant to the terms or context herein, each of

the terms used herein shall have the meaning ascribed to it below:

"Annual Business Plan" shall mean Party A's business development plan and budget for the immediate succeeding calendar year as prepared by Party A hereunder with Party B's assistance prior to November 30 each year.

"Business-related Technology" shall mean any and all software and technology that relate to Party A's Business developed by Party A on the basis of the services provided by Party B hereunder.

"Relevant Information" shall have the meaning ascribed to it in Section 6.1 hereof.

"Confidential Information" shall have the meaning ascribed to it in Section 6.2 hereof.

“Default Party” shall have the meaning ascribed to it in Section 11.1 hereof.

“Breach” shall have the meaning ascribed to it in Section 11.1 hereof.

“Equipment” shall mean any and all equipment owned or purchased by Party B from time to time for the purpose of providing the Service hereof.

“Non-default Party” shall have the meaning ascribed to it in Section 11.1 hereof.

“Party A’s Business” shall mean all internet service businesses that are and will be conducted and developed by Party A at any time during the term of this Agreement.

“Receiving Party” shall have the meaning ascribed to it in Section 6.2 hereof.

“Rights” shall have the meaning ascribed to it in Section 13.5 hereof.

“Services” shall mean the services set forth in Exhibit 1 hereto, which will be provided by Party B to Party A exclusively.

“Service Fee” shall mean all fees payable by Party A to Party B in connection with the software license granted and other services provided by Party B in accordance with Article Three hereof.

1.2 Any reference herein to any law and regulation (collectively, “Law(s)”) shall be deemed:

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1.2.1 to include amendments, revisions, additions and updates to such Law, whether enacted prior to or after the execution of this Agreement; and

1.2.2 to include other decisions, notices and rules promulgated or enacted in accordance with the provisions of such Law.

1.3 Unless otherwise stated herein, references to articles, sections, subsections and paragraphs herein shall mean Articles, Sections, Subsections and Paragraphs of this Agreement.

#### ARTICLE TWO EXCLUSIVE SERVICE

2.1 In furtherance of Party A’s Business, Party A intends to engage Party B to provide, and Party B agrees to provide, the Services. In connection therewith, Party A appoints Party B as Party A’s exclusive service provider and Party B agrees to accept such appointment.

2.2 Party B shall provide the Services to Party A in accordance with the terms and conditions of this Agreement and Party A shall use its best effort to facilitate Party B’s Services.

2.3 Any and all Services required by Party A in its business operations shall be provided exclusively by Party B, in its capacity as the exclusive technology license and service provider of Party A, unless otherwise agreed to by the Parties herein. Without Party B’s prior consent in writing, Party A may not seek any third party other than Party B for the provision of the Services by any means hereunder.

2.4 Party A agrees that in the event that Party B is objectively unable to provide certain Services to Party A, Party B may appoint at its own discretion a third party to provide such Services to Party A in accordance with the terms and conditions of this Agreement. Party A further agrees that at all times Party B shall have the right to entrust, with or without cause, the Services which should have been provided by Party B to Party A pursuant to this Agreement to a qualified third party in lieu of Party B and Party A will accept the Services provided by such third party entrusted by Party B.

2.5 Party A may at its own discretion seek the Services from any third party if:

2.5.1 Party B voluntarily abandons its right as the exclusive service provider and agrees in writing to the provision of the Services by a third party to Party A;

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2.5.2 Party B is objectively unable to provide certain Services to Party A and fails to appoint an appropriate third party to provide such Services to Party A; or

2.5.3 Party B decides not to provide certain Services to Party A and not to appoint an appropriate third party to provide such Services to Party A.

#### ARTICLE THREE SERVICE FEE

3.1 In consideration of the Services provided by Party B pursuant to Article Two hereof, Party A agrees to pay Party B the Service Fee described in Section 3.2 hereof, which shall include:

(i) an amount equaling a certain percentage of the annual gross revenue of Party A, the percentage of which shall be provided by Party B in a written notice, and

- (ii) a fee otherwise agreed by the Parties for certain specific technology license and service provided by Party B from time to time at Party A's request.
- 3.2 Both Parties agree that the Service Fee shall be paid as follows:
- (i) The Service Fee shall be paid by Party A to Party B on a monthly basis. Party A shall pay the Service Fee described in Section 3.1 (i) to Party B prior to the Tenth (10<sup>th</sup>) business day of each month.
- (ii) Following the end of each fiscal year of Party A, both Parties shall conduct an overall examination and verification of the Service Fee actually paid by Party A on the basis of the annual gross revenue of Party A for the immediately preceding year as confirmed by the audit report issued by the PRC registered accountant accepted by both Parties and make appropriate adjustments within Fifteen (15) business days following the issuance of such audit report, so that any overcharge will be refunded or any deficiency will be compensated for. Party A warrants to Party B that it will provide all necessary materials and assistance to the relevant PRC registered accountant and cause the preparation and issuance to both Parties of the foregoing audit report by such accountant within Thirty (30) business days following the end of each fiscal year.
- 3.3 Party A shall transmit timely all the Service Fee pursuant to this Article Three to the bank account designated by Party B. In the event of any

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change to such bank account, Party B shall give Party A a Seven (7)-business day prior notice in writing.

- 3.4 Notwithstanding the provisions of this Section 3.1, the actual amount of the Service Fee described therein may be adjusted upon mutual agreement of the Parties.

#### ARTICLE FOUR PARTY A'S OBLIGATIONS

- 4.1 Party B's Services hereunder shall be exclusive. During the term hereof, Party A may not, without Party B's prior consent in writing, enter into any agreement with any third party in an attempt to engage such third party for services identical to or similar with the Services provided by Party B hereunder.
- 4.2 Prior to the 30<sup>th</sup> day of November of each year, Party A shall submit its final annual business plan for the immediately succeeding year to Party B, so that a corresponding service plan can be developed and necessary software, equipment and technical force be prepared by Party B. If Party A requires ad hoc that any new equipment be replenished by Party B, Party A shall negotiate with Party B fifteen (15) days in advance and the Parties shall endeavor to reach an agreement in connection therewith.
- 4.3 To facilitate the Services to be provided by Party B, Party A shall make available to Party B, timely and correctly, all relevant materials required by Party B.
- 4.4 Party A shall pay the Service Fee to Party B pursuant to Article Three hereof in a timely and sufficient manner.
- 4.5 Party A shall safeguard its business reputation, develop its business diligently and aim at maximum returns.

#### ARTICLE FIVE INTELLECTUAL PROPERTY

- 5.1 Any and all intellectual property rights in the work product created by Party B during the course of provision of the Services shall be vested in Party B.
- 5.2 In light of the reliance of Party A's Business on the Services to be provided by Party B hereunder, Party A agrees that, with respect to any business-related technologies developed by Party A on the basis of such Services (the "Business-related Technology"),
- (i) the ownership and patent application right therein shall be vested in

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Party B if such Business-related Technology is obtained by Party A through any further development upon entrustment by Party B, or through joint development with Party B.

- (ii) the ownership therein shall be vested in Party A if such Business-related Technology is obtained by Party A through its independent development, provided, however, that (A) Party A shall promptly inform Party B of the details of such Business-related Technology and provide Party B with the relevant materials per its request; (B) in the event that Party A intends to license or transfer such Business-related Technology, Party A shall give Party B top priority to be transferred or granted the exclusive license to use, to the extent permitted by the mandatory laws of China, such Business-related Technology, and Party B shall have the right (but not the obligation) to use such Business-related Technology to the extent transferred or granted by Party A; Party A may license or transfer such Business-related Technology to a third party on conditions (including but not limited to transfer price or license fee) less favorable than that offered to Party B only when Party B waives its pre-emptive right or exclusive use right with respect to such Business-related Technology and Party A shall warrant that such third party will perform all Party A's liabilities and obligations hereunder; and (C) notwithstanding the provisions of clause (B) above, Party B may propose to purchase the Business-related Technology at One Renminbi (RMB1) or the minimum purchase price permitted by the then applicable law at any time during the term set forth in Section 8.1 hereof, and Party A shall agree to Party B's proposal to the extent permitted by the mandatory laws of China.
- 5.3 In the event that Party B is granted the exclusive license to use the Business-related Technology pursuant to Section 5.2 (ii) above, such license shall be handled as follows:

- (i) Such license shall have a term of no less than five (5) years (as of the date on which the relevant license agreement becomes effective);
- (ii) The right as defined under such license shall be maximum to the extent possible;
- (iii) During the license term and within the licensed territory, no party other than Party B (including Party A) may use or license the use of the Business-related Technology in any manner; and
- (iv) Upon the expiration of the license term, Party B may request for a renewal of the license agreement, to which request Party A shall agree, and the terms and conditions of the renewed license agreement shall

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remain unchanged, except to the extent accepted by Party B.

5.4 Notwithstanding the provisions set forth in Section 5.2 (ii) above, patent application in respect of any Business-related Technology described in Section 5.2 (ii) above shall be handled as follows:

- (i) Party A shall obtain Party B's prior consent in writing if Party A intends to apply for patent in respect of any Business-related Technology described in Section 5.2 (ii) above.
- (ii) Party A may apply for patent in respect of any Business-related Technology or transfer the application right thereto to a third party only after Party B has waived its right of purchasing such application right. To the extent that Party A transfers such application right to any third party, Party A shall ensure that such third party will perform all Party A's liabilities and obligations hereunder and that the terms and conditions (including but not limited to the transfer price) of such transfer shall not be more favorable than that offered to Party B pursuant to Section 5.4 (iii) below.
- (iii) At any time during the term hereof, Party B may request that application(s) for the patent in respect of any Business-related Technology be filed by Party A. In addition, Party B may, at its own discretion, determine whether it will purchase the right to such application. Upon Party B's request, Party A shall, to the extent permitted by the mandatory laws of China, transfer the right to such application to Party B at One Renminbi (RMB1) or the minimum purchase price permitted by the then applicable law. If Party B is granted any patent upon its exercise of such application right, Party B shall be the lawful owner of such patent.

5.5 Each of Party A and Party B hereby warrants to the other that it will indemnify the other Party for any and all economic losses arising out of its violation of any intellectual property right of any third party (including copyright, trademark right, patent right and other proprietary rights).

#### ARTICLE SIX CONFIDENTIALITY OBLIGATION

- 6.1 All information and other relevant materials in connection with Party A's Business and the Services provided by Party B hereunder during the term hereof (the "Relevant Information") shall be owned jointly by both Parties.
- 6.2 Notwithstanding the termination of this Agreement, both Party A and Party B shall keep in confidence the business secrets and proprietary information of

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the other Party, the Relevant Information and other relevant materials owned jointly by both Parties, as well as any other information not made known to the general public (collectively, "Confidential Information") to which either Party may have access during the performance of this Agreement. Without the prior consent in writing of the other Party or unless disclosure of such Confidential Information to any third party is required by applicable law or Listing Rules, the Party receiving such Confidential Information (the "Receiving Party") may not disclose such Confidential Information, in whole or in part, to any third party, nor may the Receiving Party use directly or indirectly such Confidential Information, in whole or in part, except to the extent required by the performance of this Agreement.

- 6.3 Confidential Information does not include any information which
  - (a) is already known by the Receiving Party as indicated by written evidence;
  - (b) has entered into public domain through no fault of the Receiving Party or become known by the general public for any other reasons; or
  - (c) is hereafter lawfully obtained by the Receiving Party through other channels.
- 6.4 The Receiving Party may disclose Confidential Information to its employees, agents or professional personnel engaged by the Receiving Party, provided, however, that such individuals shall also be bound by this Agreement, keep the secrecy of the Confidential Information, and use the Confidential Information solely for the purpose of the performance hereunder.

#### ARTICLE SEVEN REPRESENTATIONS AND WARRANTIES

- 7.1 Party A hereby represents and warrants that
  - 7.1.1 it is a limited liability company duly registered and validly existing under the laws of the jurisdiction in which it is registered, has independent legal person qualification and the complete and independent legal status and capacity required to sign, deliver and perform this Agreement, and may act as an independent litigation subject;

- 7.1.2 it has full internal corporate power and authorization to sign and deliver this Agreement as well as all other documents to be signed by it in connection with the transaction anticipated herein and it has

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full power and authorization to consummate the transaction anticipated herein; this Agreement is duly and appropriately signed and delivered by it and constitutes its lawful, valid and binding obligations, enforceable in accordance with its terms;

- 7.1.3 it owns the valid business license required to conduct its business and has full rights and qualifications required to conduct the internet service business within China as well as other Party A's Business it currently engages in as of the day on which this Agreement becomes effective;
- 7.1.4 it will submit to Party B a quarterly financial statement for the then current quarter and budget for the immediately succeeding quarter within ten (10) business days following the end of each quarter and an annual financial statement for the then current year and budget for the immediately succeeding year within thirty (30) business days following the end of each year;
- 7.1.5 it will promptly advise Party B of any lawsuit in which it is involved and other adverse conditions and make its best effort to mitigate losses; and
- 7.1.6 it will not dispose of any of its material assets or change its existing equity structure in any manner without Party B's consent in writing.

7.2 Party B represents and warrants that

- 7.2.1 it is a limited liability company duly registered and validly existing under the PRC laws, has independent legal person qualification and the complete and independent legal status and capacity required to sign, deliver and perform this Agreement, and may act as an independent litigation subject; and
- 7.2.2 it has full internal corporate power and authorization to sign and deliver this Agreement as well as all other documents to be signed by it in connection with the transaction anticipated herein and it has full power and authorization to consummate the transaction anticipated herein; this Agreement is duly and appropriately signed and delivered by it and constitutes its lawful, valid and binding obligations, enforceable in accordance with its terms.

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#### ARTICLE EIGHT TERM OF THIS AGREEMENT

- 8.1 Both Parties hereby acknowledge that this Agreement shall become effective on the date on which it is duly signed by the Parties and shall continue being effective unless renewed or terminated in advance by Party B upon notifying Party A in writing.
- 8.2 Upon the termination of this Agreement, both Party A and Party B shall continue to perform their obligations under Articles Three and Six hereof.

#### ARTICLE NINE INDEMNIFICATION

Party A shall indemnify Party B and hold it free and harmless against all losses which Party B suffers or may suffer in rendering the Services hereunder, including but not limited to any and all losses arising out of any lawsuit, recovery, arbitration or claim brought forth by any third party or any administrative investigation or penalty, except where such losses are caused by Party B's willful misconduct or gross default.

#### ARTICLE TEN NOTICE

- 10.1 Any and all notices, requests, instructions or other communications required to be made hereof or made pursuant to this Agreement by one Party to the other hereunder shall be made in writing.
- 10.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

#### ARTICLE ELEVEN LIABILITIES FOR BREACHING

- 11.1 Both Parties agree and acknowledge that a substantial breach of any covenant or failure to substantially perform any obligation hereunder by any Party (the "Default Party") shall constitute a breach of this Agreement ("Breach"), and the non-default Party (the "Non-default Party") shall have the right to demand rectification or remedy by the Default Party within a reasonable period of time. If the Default Party fails to rectify the Breach or to take remedial measures within such reasonable period of time or ten (10) days following the Non-default Party's written notice and demand for rectification thereof, then, in the case of any Breach by Party A, the Non-default Party may, at its own discretion, (i) terminate this Agreement and demand indemnification by the Default Party for all damages, or (ii) ask the Default Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages; or, in the case of any Breach by Party B, the Non-default Party may ask the Default Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages.

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11.2 Both Parties agree and acknowledge that under no circumstances may Party A terminate this Agreement on any ground, unless otherwise provided for by law or this Agreement.

11.3 Notwithstanding any other provisions herein, the provisions of this Article Eleven shall survive the suspension or termination of this Agreement.

#### ARTICLE TWELVE FORCE MAJEURE

In the event that a Party's performance of this Agreement or any other covenants of the Parties is directly affected by an earthquake, typhoon, flood, fire, war, computer virus, design loophole in any software tool, hacker attack on the internet, amendment to law or policy or any other event of force majeure which is not foreseeable or the result of which is not to be prevented or avoided, such Party shall immediately give the other Party a notice by fax of such event and within thirty days (30) thereafter provide a detailed report thereof as well as a certification document explaining the cause for the non-performance or delayed performance of this Agreement, which certification document shall be issued by the public notary of the region in which the event of force majeure occurred. The Parties shall decide through consultation whether performance of this Agreement, in whole or in part, shall be relieved or delayed to the extent affected by such event. With respect to economic losses sustained by either Party as a result of such event, neither Party shall be liable.

#### ARTICLE THIRTEEN MISCELLANEOUS

13.1 This Agreement is made in Chinese in two (2) original copies, with each Party hereto holding one (1) copy.

13.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the laws of the People's Republic of China.

13.3 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of such commission then in effect. The arbitration shall be conducted in Beijing and the arbitral award shall be final and binding upon both Parties.

13.4 The rights, power and remedies provided for either Party herein shall not exclude any other rights, power or remedies to which such Party is entitled

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under law, regulations, and other provisions herein, and the exercise by one Party of its right, power, or remedies shall not hinder its exercise of any other right, power, or remedies.

13.5 Failure to exercise or delay in exercising any right, power, or remedies under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of such Rights, and any waiver of single or partial exercise of the Rights shall not exclude the exercise of the Rights in any other manner or the exercise of any other Rights.

13.6 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.

13.7 This Agreement shall supersede all other agreements, written or oral, of the Parties regarding the subject matter of this Agreement and constitute the entire agreement of the Parties concerning such subject matter.

13.8 All provisions herein are separable and independent of any other provisions. If one or more provisions hereof are held invalid, illegal or unenforceable at any time, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.

13.9 Amendment or addition to this Agreement shall be made in writing and may not become effective unless and until duly executed by the Parties.

13.10 No Party may assign any of its rights and/or obligations hereunder to any third party without the prior consent of the other Party in writing.

13.11 This Agreement shall be binding upon the legal assigns of both Parties.

13.12 Both Parties warrant that they will report and pay their respective taxes arising out of the transaction anticipated herein in accordance with law.

[Remainder of the page left blank intentionally]

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[signature page]

IN WITNESS HEREOF, the Parties have signed this Exclusive Technical Consulting and Service Agreement as of the date and in the place first written above.

Party A: Beijing Tianying Jiuzhou Network Technology Co., Ltd. (seal)

By: /s/ Ming Chen (signed)  
Name: Ming Chen

Title: Authorized Representative:

Party B: Fenghuang On-line (Beijing) Information Technology Co., Ltd. (seal)

By: /s/ Shuang Liu (signed)

Name:

Title: Authorized Representative:

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## EXHIBIT 1: LIST OF TECHNICAL LICENSE AND SERVICES

### **Technical Support with Respect to Mobile Network Value-added Telecommunication Business**

As the technical service provider of Party A and subject to the terms and conditions hereof, Party B hereby agrees to provide to Party A technical services required by the mobile network value-added telecommunication business, which services include but not limited to:

- (1) development, updating and upgrading of user-end software;
- (2) development, updating and upgrading of network server-end software;
- (3) technological development and maintenance of databank;
- (4) development of system technology;
- (5) master system design plan;
- (6) system installation and debugging;
- (7) system commissioning and testing;
- (8) installation and debugging of system expansion;
- (9) examination and maintenance of operational hardware;
- (10) daily maintenance of system software;
- (11) transformation and upgrading of system software.

### **Technical Support with Respect to Internet Information Service**

Party B hereby agrees to provide to Party A technical services relating to website operations, which services include but not limited to:

- (1) development, updating and upgrading of network user-end software;
- (2) development, updating and upgrading of network server-end software;
- (3) technological development and maintenance of databank;
- (4) development of website system technology;
- (5) master website system design plan;
- (6) website system installation and debugging;
- (7) website system commissioning and testing;
- (8) installation and debugging of website system expansion;
- (9) examination and maintenance of website operational hardware;
- (10) daily maintenance of website system software;
- (11) transformation and upgrading of website system software;
- (12) with respect to various information to be employed by Party A in its internet information services, including but not limited to information pertaining to news, finance, science and technology, sports, entertainment, games, fashion, education, medical care, culture, and professionals resources, provide compilation, statistics, integration, databank programming, and technical platform design services, assist in determining the content framework and channel structure design for the

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foregoing, and provide content updating services at the technical level;

- (13) provide webpage design and technical support to Party A and assist Party A in providing light and friendly interfaces for news browse, purchase, medical care, chat, entertainment, inquire and register services;
- (14) with respect to system software which is provided by Party B to Party A for its website operation, Party B shall also provide Party A with system documentation such as user guide and manual in relation to such website operation system software;
- (15) where Party B's assistance is required by Party A in its endeavor to modify its website system environment, including the operation system and databank environment, Party B shall provide relevant solutions; and
- (16) assist Party A in resolving issues arising out of the installation and operation of the website operational equipments.

### **Technical Support with Respect to Network Advertisement Business**

Party B hereby agrees to provide to Party A technical services relating to its network advertisement business, which services include but not limited to:

- (1) development, updating and upgrading of network advertisement release software;
- (2) installation and commissioning of network advertisement release software;
- (3) technical maintenance of network advertisement release software; and
- (4) design and production of network advertisements.

### **Technical Training**

Party B hereby agrees to provide the following training to Party A and its employees:

- (1) technical training with respect to the installation and operation of equipment and devices;
- (2) training on appropriate customer service, technology and etc; and
- (3) training on the use of the network editing software.

**Technical Consulting Service**

- (1) provide consulting services with respect to the purchase of equipments, software and hardware required by Party A in its network operations, including but not limited to technical suggestions with respect to the selection of various tool software, application software and technical platform, the installation and commissioning of systems, and the purchase, model and performance of various hardware equipment and devices;
- (2) provide technical consulting services such as technical demonstration, technical projection, special technical investigation, analysis and assessment with respect to the technical project designated by Party A;

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- (3) provide technical consulting services with respect to network software, hardware, equipment, and system network editing software application which are set up or will be set up by Party A;
- (4) provide Party A with the following information with respect to international, domestic and Party A's network services: trends of special network services, investigations on technology, expenses and income, and analysis and assessment reports;
- (5) Party A may consult Party B's technical supporting engineers for solutions to specific technical issues through email, telephone and fax, and Party B's engineers will respond and assist clients in resolving such issues;
- (6) in the event of any emergency which cannot be handled by Party A, Party B's engineers will logon remotely upon Party A's consent, examine the system status and resolve the problem.
- (7) Party B will satisfy other technical consulting requirements of Party A to the extent of Party B's capacity.

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**Exclusive Technical Consulting and Service Agreement**

by and between

**Fenghuang On-line (Beijing) Information Technology Co., Ltd.**

and

**Yifeng Lianhe (Beijing) Technology Co., Ltd.**

**December 31, 2009**

**Exclusive Technical Consulting and Service Agreement**

This Exclusive Technical Consulting and Service Agreement (the "Agreement") is entered into by the following two Parties on December 31, 2009 in Beijing, the People's Republic of China ("China"):

- (1) Yifeng Lianhe (Beijing) Technology Co., Ltd. ("Party A")  
 Registered Address: Fusheng Building Tower 2 Floor 16, No.4 Hui Xin Dong Jie, Chaoyang District, Beijing 100029 China  
 Legal Representative: Yansheng He

and

- (2) Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Party B")  
 Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing 100081 China  
 Legal Representative: Shuang Liu

Party A and Party B are referred to herein individually as a "Party" and collectively as "Parties".

Recital

WHEREAS, Party A is a limited liability company duly registered and validly existing in Beijing, China, its main business being the provision of information services pertaining to mobile network value-added telecommunication business; and

WHEREAS, Party B is a wholly foreign-owned enterprise duly registered and validly existing in Beijing, China, its main business being internet technology development and services;

WHEREAS, Party A decides to engage Party B, as the exclusive technical license and service provider of Party A, to provide relevant technical license, service and assistance to Party A, and Party B agrees to provide relevant technical services to Party A subject to the terms and conditions hereof.

NOW, THEREFORE, the Parties have agreed as follows upon friendly consultation:

ARTICLE ONE DEFINITION

- 1.1 Unless otherwise interpreted pursuant to the terms or context herein, each of the terms used herein shall have the meaning ascribed to it below:

"Annual Business Plan" shall mean Party A's business development plan and budget for the immediate succeeding calendar year as prepared by Party A hereunder with Party B's assistance prior to November 30 each year.

"Business-related Technology" shall mean any and all software and technology that relate to Party A's Business developed by Party A on the basis of the services provided by Party B hereunder.

"Relevant Information" shall have the meaning ascribed to it in Section 6.1 hereof.

"Confidential Information" shall have the meaning ascribed to it in Section 6.2 hereof.

"Default Party" shall have the meaning ascribed to it in Section 11.1 hereof.

"Breach" shall have the meaning ascribed to it in Section 11.1 hereof.

“Equipment” shall mean any and all equipment owned or purchased by Party B from time to time for the purpose of providing the Service hereof.

“Non-default Party” shall have the meaning ascribed to it in Section 11.1 hereof.

“Party A’s Business” shall mean all internet service businesses that are and will be conducted and developed by Party A at any time during the term of this Agreement.

“Receiving Party” shall have the meaning ascribed to it in Section 6.2 hereof.

“Rights” shall have the meaning ascribed to it in Section 13.5 hereof.

“Services” shall mean the services set forth in Exhibit 1 hereto, which will be provided by Party B to Party A exclusively.

“Service Fee” shall mean all fees payable by Party A to Party B in connection with the software license granted and other services provided by Party B in accordance with Article Three hereof.

1.2 Any reference herein to any law and regulation (collectively, “Law(s)”) shall be deemed:

1.2.1 to include amendments, revisions, additions and updates to such

Law, whether enacted prior to or after the execution of this Agreement; and

1.2.2 to include other decisions, notices and rules promulgated or enacted in accordance with the provisions of such Law.

1.3 Unless otherwise stated herein, references to articles, sections, subsections and paragraphs herein shall mean Articles, Sections, Subsections and Paragraphs of this Agreement.

## ARTICLE TWO EXCLUSIVE SERVICE

2.1 In furtherance of Party A’s Business, Party A intends to engage Party B to provide, and Party B agrees to provide, the Services. In connection therewith, Party A appoints Party B as Party A’s exclusive service provider and Party B agrees to accept such appointment.

2.2 Party B shall provide the Services to Party A in accordance with the terms and conditions of this Agreement and Party A shall use its best effort to facilitate Party B’s Services.

2.3 Any and all Services required by Party A in its business operations shall be provided exclusively by Party B, in its capacity as the exclusive technology license and service provider of Party A, unless otherwise agreed to by the Parties herein. Without Party B’s prior consent in writing, Party A may not seek any third party other than Party B for the provision of the Services by any means hereunder.

2.4 Party A agrees that in the event that Party B is objectively unable to provide certain Services to Party A, Party B may appoint at its own discretion a third party to provide such Services to Party A in accordance with the terms and conditions of this Agreement. Party A further agrees that at all times Party B shall have the right to entrust, with or without cause, the Services which should have been provided by Party B to Party A pursuant to this Agreement to a qualified third party in lieu of Party B and Party A will accept the Services provided by such third party entrusted by Party B.

2.5 Party A may at its own discretion seek the Services from any third party if:

2.5.1 Party B voluntarily abandons its right as the exclusive service provider and agrees in writing to the provision of the Services by a third party to Party A;

2.5.2 Party B is objectively unable to provide certain Services to Party A

and fails to appoint an appropriate third party to provide such Services to Party A; or

2.5.3 Party B decides not to provide certain Services to Party A and not to appoint an appropriate third party to provide such Services to Party A.

## ARTICLE THREE SERVICE FEE

3.1 In consideration of the Services provided by Party B pursuant to Article Two hereof, Party A agrees to pay Party B the Service Fee described in Section 3.2 hereof, which shall include:

(i) an amount equaling a certain percentage of the annual gross revenue of Party A, the percentage of which shall be provided by Party B in a written notice, and

(ii) a fee otherwise agreed by the Parties for certain specific technology license and service provided by Party B from time to time at Party A’s request.

- 3.2 Both Parties agree that the Service Fee shall be paid as follows:
- (i) The Service Fee shall be paid by Party A to Party B on a monthly basis. Party A shall pay the Service Fee described in Section 3.1 (i) to Party B prior to the Tenth (10<sup>th</sup>) business day of each month.
  - (ii) Following the end of each fiscal year of Party A, both Parties shall conduct an overall examination and verification of the Service Fee actually paid by Party A on the basis of the annual gross revenue of Party A for the immediately preceding year as confirmed by the audit report issued by the PRC registered accountant accepted by both Parties and make appropriate adjustments within Fifteen (15) business days following the issuance of such audit report, so that any overcharge will be refunded or any deficiency will be compensated for. Party A warrants to Party B that it will provide all necessary materials and assistance to the relevant PRC registered accountant and cause the preparation and issuance to both Parties of the foregoing audit report by such accountant within Thirty (30) business days following the end of each fiscal year.
- 3.3 Party A shall transmit timely all the Service Fee pursuant to this Article Three to the bank account designated by Party B. In the event of any change to such bank account, Party B shall give Party A a Seven (7)-business

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day prior notice in writing.

- 3.4 Notwithstanding the provisions of this Section 3.1, the actual amount of the Service Fee described therein may be adjusted upon mutual agreement of the Parties.

#### ARTICLE FOUR PARTY A'S OBLIGATIONS

- 4.1 Party B's Services hereunder shall be exclusive. During the term hereof, Party A may not, without Party B's prior consent in writing, enter into any agreement with any third party in an attempt to engage such third party for services identical to or similar with the Services provided by Party B hereunder.
- 4.2 Prior to the 30<sup>th</sup> day of November of each year, Party A shall submit its final annual business plan for the immediately succeeding year to Party B, so that a corresponding service plan can be developed and necessary software, equipment and technical force be prepared by Party B. If Party A requires ad hoc that any new equipment be replenished by Party B, Party A shall negotiate with Party B fifteen (15) days in advance and the Parties shall endeavor to reach an agreement in connection therewith.
- 4.3 To facilitate the Services to be provided by Party B, Party A shall make available to Party B, timely and correctly, all relevant materials required by Party B.
- 4.4 Party A shall pay the Service Fee to Party B pursuant to Article Three hereof in a timely and sufficient manner.
- 4.5 Party A shall safeguard its business reputation, develop its business diligently and aim at maximum returns.

#### ARTICLE FIVE INTELLECTUAL PROPERTY

- 5.1 Any and all intellectual property rights in the work product created by Party B during the course of provision of the Services shall be vested in Party B.
- 5.2 In light of the reliance of Party A's Business on the Services to be provided by Party B hereunder, Party A agrees that, with respect to any business-related technologies developed by Party A on the basis of such Services (the "Business-related Technology"),
- (i) the ownership and patent application right therein shall be vested in Party B if such Business-related Technology is obtained by Party A

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through any further development upon entrustment by Party B, or through joint development with Party B.

- (ii) the ownership therein shall be vested in Party A if such Business-related Technology is obtained by Party A through its independent development, provided, however, that (A) Party A shall promptly inform Party B of the details of such Business-related Technology and provide Party B with the relevant materials per its request; (B) in the event that Party A intends to license or transfer such Business-related Technology, Party A shall give Party B top priority to be transferred or granted the exclusive license to use, to the extent permitted by the mandatory laws of China, such Business-related Technology, and Party B shall have the right (but not the obligation) to use such Business-related Technology to the extent transferred or granted by Party A; Party A may license or transfer such Business-related Technology to a third party on conditions (including but not limited to transfer price or license fee) less favorable than that offered to Party B only when Party B waives its pre-emptive right or exclusive use right with respect to such Business-related Technology and Party A shall warrant that such third party will perform all Party A's liabilities and obligations hereunder; and (C) notwithstanding the provisions of clause (B) above, Party B may propose to purchase the Business-related Technology at One Renminbi (RMB1) or the minimum purchase price permitted by the then applicable law at any time during the term set forth in Section 8.1 hereof, and Party A shall agree to Party B's proposal to the extent permitted by the mandatory laws of China.
- 5.3 In the event that Party B is granted the exclusive license to use the Business-related Technology pursuant to Section 5.2 (ii) above, such license shall be handled as follows:
- (i) Such license shall have a term of no less than five (5) years (as of the date on which the relevant license agreement becomes effective);

- (ii) The right as defined under such license shall be maximum to the extent possible;
- (iii) During the license term and within the licensed territory, no party other than Party B (including Party A) may use or license the use of the Business-related Technology in any manner; and
- (iv) Upon the expiration of the license term, Party B may request for a renewal of the license agreement, to which request Party A shall agree, and the terms and conditions of the renewed license agreement shall remain unchanged, except to the extent accepted by Party B.

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5.4 Notwithstanding the provisions set forth in Section 5.2 (ii) above, patent application in respect of any Business-related Technology described in Section 5.2 (ii) above shall be handled as follows:

- (i) Party A shall obtain Party B's prior consent in writing if Party A intends to apply for patent in respect of any Business-related Technology described in Section 5.2 (ii) above.
- (ii) Party A may apply for patent in respect of any Business-related Technology or transfer the application right thereto to a third party only after Party B has waived its right of purchasing such application right. To the extent that Party A transfers such application right to any third party, Party A shall ensure that such third party will perform all Party A's liabilities and obligations hereunder and that the terms and conditions (including but not limited to the transfer price) of such transfer shall not be more favorable than that offered to Party B pursuant to Section 5.4 (iii) below.
- (iii) At any time during the term hereof, Party B may request that application(s) for the patent in respect of any Business-related Technology be filed by Party A. In addition, Party B may, at its own discretion, determine whether it will purchase the right to such application. Upon Party B's request, Party A shall, to the extent permitted by the mandatory laws of China, transfer the right to such application to Party B at One Renminbi (RMB1) or the minimum purchase price permitted by the then applicable law. If Party B is granted any patent upon its exercise of such application right, Party B shall be the lawful owner of such patent.

5.5 Each of Party A and Party B hereby warrants to the other that it will indemnify the other Party for any and all economic losses arising out of its violation of any intellectual property right of any third party (including copyright, trademark right, patent right and other proprietary rights).

#### ARTICLE SIX CONFIDENTIALITY OBLIGATION

6.1 All information and other relevant materials in connection with Party A's Business and the Services provided by Party B hereunder during the term hereof (the "Relevant Information") shall be owned jointly by both Parties.

6.2 Notwithstanding the termination of this Agreement, both Party A and Party B shall keep in confidence the business secrets and proprietary information of the other Party, the Relevant Information and other relevant materials owned

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jointly by both Parties, as well as any other information not made known to the general public (collectively, "Confidential Information") to which either Party may have access during the performance of this Agreement. Without the prior consent in writing of the other Party or unless disclosure of such Confidential Information to any third party is required by applicable law or Listing Rules, the Party receiving such Confidential Information (the "Receiving Party") may not disclose such Confidential Information, in whole or in part, to any third party, nor may the Receiving Party use directly or indirectly such Confidential Information, in whole or in part, except to the extent required by the performance of this Agreement.

6.3 Confidential Information does not include any information which

- (a) is already known by the Receiving Party as indicated by written evidence;
- (b) has entered into public domain through no fault of the Receiving Party or become known by the general public for any other reasons; or
- (c) is hereafter lawfully obtained by the Receiving Party through other channels.

6.4 The Receiving Party may disclose Confidential Information to its employees, agents or professional personnel engaged by the Receiving Party, provided, however, that such individuals shall also be bound by this Agreement, keep the secrecy of the Confidential Information, and use the Confidential Information solely for the purpose of the performance hereunder.

#### ARTICLE SEVEN REPRESENTATIONS AND WARRANTIES

7.1 Party A hereby represents and warrants that

- 7.1.1 it is a limited liability company duly registered and validly existing under the laws of the jurisdiction in which it is registered, has independent legal person qualification and the complete and independent legal status and capacity required to sign, deliver and perform this Agreement, and may act as an independent litigation subject;
- 7.1.2 it has full internal corporate power and authorization to sign and deliver this Agreement as well as all other documents to be signed by it in connection with the transaction anticipated herein and it has full power and authorization to consummate the transaction

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anticipated herein; this Agreement is duly and appropriately signed and delivered by it and constitutes its lawful, valid and binding obligations, enforceable in accordance with its terms;

- 7.1.3 it owns the valid business license required to conduct its business and has full rights and qualifications required to conduct the internet service business within China as well as other Party A's Business it currently engages in as of the day on which this Agreement becomes effective;
- 7.1.4 it will submit to Party B a quarterly financial statement for the then current quarter and budget for the immediately succeeding quarter within ten (10) business days following the end of each quarter and an annual financial statement for the then current year and budget for the immediately succeeding year within thirty (30) business days following the end of each year;
- 7.1.5 it will promptly advise Party B of any lawsuit in which it is involved and other adverse conditions and make its best effort to mitigate losses; and
- 7.1.6 it will not dispose of any of its material assets or change its existing equity structure in any manner without Party B's consent in writing.

7.2 Party B represents and warrants that

- 7.2.1 it is a limited liability company duly registered and validly existing under the PRC laws, has independent legal person qualification and the complete and independent legal status and capacity required to sign, deliver and perform this Agreement, and may act as an independent litigation subject; and
- 7.2.2 it has full internal corporate power and authorization to sign and deliver this Agreement as well as all other documents to be signed by it in connection with the transaction anticipated herein and it has full power and authorization to consummate the transaction anticipated herein; this Agreement is duly and appropriately signed and delivered by it and constitutes its lawful, valid and binding obligations, enforceable in accordance with its terms.

#### ARTICLE EIGHT TERM OF THIS AGREEMENT

8.1 Both Parties hereby acknowledge that this Agreement shall become effective

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on the date on which it is duly signed by the Parties and shall continue being effective unless renewed or terminated in advance by Party B upon notifying Party A in writing.

8.2 Upon the termination of this Agreement, both Party A and Party B shall continue to perform their obligations under Articles Three and Six hereof.

#### ARTICLE NINE INDEMNIFICATION

Party A shall indemnify Party B and hold it free and harmless against all losses which Party B suffers or may suffer in rendering the Services hereunder, including but not limited to any and all losses arising out of any lawsuit, recovery, arbitration or claim brought forth by any third party or any administrative investigation or penalty, except where such losses are caused by Party B's willful misconduct or gross default.

#### ARTICLE TEN NOTICE

- 10.1 Any and all notices, requests, instructions or other communications required to be made hereof or made pursuant to this Agreement by one Party to the other hereunder shall be made in writing.
- 10.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

#### ARTICLE ELEVEN LIABILITIES FOR BREACHING

11.1 Both Parties agree and acknowledge that a substantial breach of any covenant or failure to substantially perform any obligation hereunder by any Party (the "Default Party") shall constitute a breach of this Agreement ("Breach"), and the non-default Party (the "Non-default Party") shall have the right to demand rectification or remedy by the Default Party within a reasonable period of time. If the Default Party fails to rectify the Breach or to take remedial measures within such reasonable period of time or ten (10) days following the Non-default Party's written notice and demand for rectification thereof, then, in the case of any Breach by Party A, the Non-default Party may, at its own discretion, (i) terminate this Agreement and demand indemnification by the Default Party for all damages, or (ii) ask the Default Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages; or, in the case of any Breach by Party B, the Non-default Party may ask the Default Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages.

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11.2 Both Parties agree and acknowledge that under no circumstances may Party A terminate this Agreement on any ground, unless otherwise provided for by law or this Agreement.

11.3 Notwithstanding any other provisions herein, the provisions of this Article Eleven shall survive the suspension or termination of this Agreement.

ARTICLE TWELVE FORCE MAJEURE

In the event that a Party's performance of this Agreement or any other covenants of the Parties is directly affected by an earthquake, typhoon, flood, fire, war, computer virus, design loophole in any software tool, hacker attack on the internet, amendment to law or policy or any other event of force majeure which is not foreseeable or the result of which is not to be prevented or avoided, such Party shall immediately give the other Party a notice by fax of such event and within thirty days (30) thereafter provide a detailed report thereof as well as a certification document explaining the cause for the non-performance or delayed performance of this Agreement, which certification document shall be issued by the public notary of the region in which the event of force majeure occurred. The Parties shall decide through consultation whether performance of this Agreement, in whole or in part, shall be relieved or delayed to the extent affected by such event. With respect to economic losses sustained by either Party as a result of such event, neither Party shall be liable.

ARTICLE THIRTEEN MISCELLANEOUS

- 13.1 This Agreement is made in Chinese in two (2) original copies, with each Party hereto holding one (1) copy.
- 13.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the laws of the People's Republic of China.
- 13.3 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of such commission then in effect. The arbitration shall be conducted in Beijing and the arbitral award shall be final and binding upon both Parties.
- 13.4 The rights, power and remedies provided for either Party herein shall not exclude any other rights, power or remedies to which such Party is entitled under law, regulations, and other provisions herein, and the exercise by one

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Party of its right, power, or remedies shall not hinder its exercise of any other right, power, or remedies.

- 13.5 Failure to exercise or delay in exercising any right, power, or remedies under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of such Rights, and any waiver of single or partial exercise of the Rights shall not exclude the exercise of the Rights in any other manner or the exercise of any other Rights.
- 13.6 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.
- 13.7 This Agreement shall supersede all other agreements, written or oral, of the Parties regarding the subject matter of this Agreement and constitute the entire agreement of the Parties concerning such subject matter.
- 13.8 All provisions herein are separable and independent of any other provisions. If one or more provisions hereof are held invalid, illegal or unenforceable at any time, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.
- 13.9 Amendment or addition to this Agreement shall be made in writing and may not become effective unless and until duly executed by the Parties.
- 13.10 No Party may assign any of its rights and/or obligations hereunder to any third party without the prior consent of the other Party in writing.
- 13.11 This Agreement shall be binding upon the legal assigns of both Parties.
- 13.12 Both Parties warrant that they will report and pay their respective taxes arising out of the transaction anticipated herein in accordance with law.

[Remainder of the page left blank intentionally]

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[signature page]

IN WITNESS HEREOF, the Parties have signed this Exclusive Technical Consulting and Service Agreement as of the date and in the place first written above.

Party A: Yifeng Lianhe (Beijing) Technology Co., Ltd. (seal)

By: /s/ Ming Chen (signed)  
Name: Ming Chen  
Title: Authorized Representative:

Party B: Fenghuang On-line (Beijing) Information Technology Co., Ltd. (seal)

By: /s/ Shuang Liu (signed)  
Name:  
Title: Authorized Representative:

**EXHIBIT 1: LIST OF TECHNICAL LICENSE AND SERVICES****Technical Support with Respect to Mobile Network Value-added Telecommunication Business**

As the technical service provider of Party A and subject to the terms and conditions hereof, Party B hereby agrees to provide to Party A technical services required by the mobile network value-added telecommunication business, which services include but not limited to:

- (1) development, updating and upgrading of user-end software;
- (2) development, updating and upgrading of network server-end software;
- (3) technological development and maintenance of databank;
- (4) development of system technology;
- (5) master system design plan;
- (6) system installation and debugging;
- (7) system commissioning and testing;
- (8) installation and debugging of system expansion;
- (9) examination and maintenance of operational hardware;
- (10) daily maintenance of system software;
- (11) transformation and upgrading of system software.

**Technical Support with Respect to Network Advertisement Business**

Party B hereby agrees to provide to Party A technical services relating to its network advertisement business, which services include but not limited to:

- (1) development, updating and upgrading of network advertisement release software;
- (2) installation and commissioning of network advertisement release software;
- (3) technical maintenance of network advertisement release software; and
- (4) design and production of network advertisements.

**Technical Training**

Party B hereby agrees to provide the following training to Party A and its employees:

- (1) technical training with respect to the installation and operation of equipment and devices;
- (2) training on appropriate customer service, technology and etc; and
- (3) training on the use of the network editing software.

**Technical Consulting Service**

- (1) provide consulting services with respect to the purchase of equipments, software

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and hardware required by Party A in its network operations, including but not limited to technical suggestions with respect to the selection of various tool software, application software and technical platform, the installation and commissioning of systems, and the purchase, model and performance of various hardware equipment and devices;

- (2) provide technical consulting services such as technical demonstration, technical projection, special technical investigation, analysis and assessment with respect to the technical project designated by Party A;
- (3) provide technical consulting services with respect to network software, hardware, equipment, and system network editing software application which are set up or will be set up by Party A;
- (4) provide Party A with the following information with respect to international, domestic and Party A's network services: trends of special network services, investigations on technology, expenses and income, and analysis and assessment reports;
- (5) Party A may consult Party B's technical supporting engineers for solutions to specific technical issues through email, telephone and fax, and Party B's engineers will respond and assist clients in resolving such issues;
- (6) in the event of any emergency which cannot be handled by Party A, Party B's engineers will logon remotely upon Party A's consent, examine the system status and resolve the problem.
- (7) Party B will satisfy other technical consulting requirements of Party A to the extent of Party B's capacity.

**Loan Agreement****by and among****Haiyan Qiao****Ximin Gao****and****Fenghuang On-line (Beijing) Information Technology Co., Ltd. ,****December 31, 2009****Loan Agreement**

This Loan Agreement (the "Agreement") is entered into by the following parties on December 31, 2009 in Beijing:

- (1) Haiyan Qiao, a PRC citizen (ID No.: \_\_\_\_\_);
- (2) Ximin Gao, a PRC citizen (ID No.: \_\_\_\_\_);

Haiyan Qiao and Ximin Gao are referred to hereinafter individually as a "Borrower" and collectively as "Borrowers"; and

- (3) Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Lender"), a wholly foreign-owned enterprise established under the PRC laws, with its registered address at Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China.

Each of the foregoing parties is referred to hereinafter individually as a "Party" and collectively as "Parties".

**WHEREAS:**

1. Haiyan Qiao and Ximin Gao are shareholders on record of Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("Tianying Jiuzhou"), a limited liability company established under the PRC laws, with its registered address at Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China, and with a registered capital of Ten Million Renminbi (RMB10 Million);
2. In order to provide for the rights and obligations of both Borrowers and Lender under the relevant loan arrangement, the Parties have agreed as follows:

**ARTICLE ONE DEFINITION****1.1 As used herein,**

"Effective Date" shall mean the date on which this Agreement is duly executed by the Parties hereto;

"Liability" shall mean the outstanding amount under the Loan;

"Loan" shall mean the Renminbi loan advanced by Lender to Borrowers;

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"PRC" shall mean the People's Republic of China, and for the purpose of this Agreement, does not include Hong Kong, Macao and Taiwan;

"Repayment Notice" shall have the meaning set forth in Section 3.1;

"Repayment Application" shall have the meaning set forth in Section 3.2;

"Rights" shall have the meaning set forth in Section 8.5.

**1.2 Any reference herein to:**

any "article", "section" or "subsection" herein shall mean Articles, Sections, and Subsections of this Agreement, unless otherwise provided by the context herein;

any "taxes and fees" herein shall be interpreted as including any tax, fee, duty or other charge of a similar nature (including but not limited to any penalty or interest in connection with the non-payment or delayed payment of such tax); and

"Borrower" and "Lender" herein shall be interpreted as including their successors and assigns respectively permitted by each Party based on its own interest.



1.3 Unless otherwise stated herein, references to this Agreement, any other agreement or any other document, as the case may be, shall be interpreted as also referring to the amendments, revisions, additions and updates which have been made or may be made from time to time to this Agreement, any other agreement or any other document.

1.4 Headings are inserted for ease of reference only.

1.5 Unless otherwise required by the context, plural forms shall include singular and vice versa.

## ARTICLE TWO LOAN AMOUNT AND INTEREST RATE

2.1 The Parties hereby confirm that the total principal amount of the Loan advanced by Lender to Borrower shall be Ten Million Renminbi (RMB10,000,000), including:

a principal amount of Five Million and One Hundred Thousand Renminbi (RMB5,100,000) advanced to Haiyan Qiao; and

a principal amount of Four Million and Nine Hundred Thousand Renminbi

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(RMB4,900,000) advanced to Ximin Gao.

2.2 The Loan advanced hereunder shall bear an interest at the rate of zero percent (0%), i.e. no interest will accrue for the Loan hereunder.

## ARTICLE THREE REPAYMENT

3.1 The term of Loan shall be ten (10) years as of the date of execution of this Agreement, and may be extended upon agreements by the Parties in writing. During the term or extended term of the Loan, Lender may at any time request at its own absolute discretion that the Liability be discharged, in whole or in part, by Borrower or Borrowers, upon a 30-day prior repayment notice to such Borrower or Borrowers ("Repayment Notice"). In the event that Lender requires repayment by any Borrower pursuant to the preceding sentence, Lender shall have the right to purchase or designate a third party to purchase the equity interest held by such Borrower in Tianying Jiuzhou at such a price as equaling the amount of the Liability to be discharged by such Borrower, provided, however, that the ratio of the equity interest to be so purchased to the equity interest held by such Borrower in Tianying Jiuzhou shall be equivalent to that of the Liability required to be discharged to the principal amount of the Loan borrowed by such Borrower hereunder. The amount of the Liability required to be repaid shall be offset against that of the equity transfer price.

3.2 Any Borrower may at any time apply for the discharge of the Liability, in whole or in part, by sending Lender a 30-day prior notice of application ("Repayment Application"). In such case, Borrower may discharge its Liability only by transferring the equity interest held by such Borrower in Tianying Jiuzhou, in whole or in part, to Lender or a third party designated by Lender, and the equity transfer price shall be offset against the amount of the Liability applied for discharge by such Borrower. The ratio of the equity interest, which is to be so transferred, to the equity interest held by such Borrower in Tianying Jiuzhou shall be equivalent to that of the Liability for which discharge is applied, to the principal amount of the Loan borrowed by such Borrower hereunder.

3.3 Upon the expiration of the 30-day period set forth in the Repayment Notice or the Repayment Application, as the case may be, Borrower who applies for the repayment of or who is required to repay the Loan shall discharge the Liability in accordance with Section 3.1 or 3.2 respectively.

3.4 When Borrower discharges the Liability pursuant to the above provisions of this Article Three, the Parties shall concurrently consummate the equity transfer as prescribed in Section 3.1 or 3.2 above, to ensure that upon the

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discharge of the Liability, the corresponding equity interest in Tianying Jiuzhou shall have been transferred, legally and completely, to Lender or the third party designated by Lender, pursuant to Section 3.1 or 3.2 above, and such equity interest shall be free and clear of any lien or any other encumbrance of any kind.

3.5 During the term or extended term of the Loan, each Borrower shall immediately repay the Loan in full in accordance with Section 3.1 if such Borrower

3.5.1 is dead, incapable of civil action, or has limited capacity for civil action;

3.5.2 engages or is involved in any criminal offence; or

3.5.1 is no longer an employee of Lender or its affiliated company due to whatever reason.

## ARTICLE FOUR TAXES AND FEES

All taxes and fees in connection with the Loan shall be borne by Lender.

## ARTICLE FIVE CONFIDENTIAL INFORMATION

5.1 Each Borrower shall keep in confidence (i) the execution, performance and content of this Agreement, and (ii) Lender's business secrets, proprietary information and client information ("Confidential Information") of which such Borrower may become aware or to which such Borrower may have access in connection with the execution and performance of this Agreement, regardless of the termination hereof. Each

Borrower may use the Confidential Information solely in connection with the performance of its obligations hereunder. Without Lender's written consent, each Borrower may not disclose such Confidential Information to any third party, otherwise, such Borrower shall be held liable for its breaching this Agreement and indemnify Lender against all losses of Lender.

- 5.2 After the termination of this Agreement, Borrowers shall, at Lender's request, return, destroy or otherwise dispose of any and all documents, materials or software containing such Confidential Information and stop using such Confidential Information.
- 5.3 Notwithstanding any other provisions herein, the provisions of this Article Five shall survive the suspension or termination of this Agreement.

#### ARTICLE SIX NOTICE

- 6.1 Any and all notices, requests, instructions or other communications required to be made hereof or made pursuant to this Agreement by one Party to the other hereunder shall be made in writing.
- 6.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

#### ARTICLE SEVEN LIABILITIES FOR BREACHING

- 7.1 Each Borrower hereby covenants that it will indemnify and hold harmless Lender against any action, charge, claim, cost, harm, demand, fee, liability, loss and procedure incurred by Lender arising out of such Borrower's breach of any of its obligations hereunder.
- 7.2 Notwithstanding any other provisions herein, the provisions of this Article Seven shall survive the suspension or termination of this Agreement.

#### ARTICLE EIGHT MISCELLANEOUS

- 8.1 This Agreement is made in Chinese in three (3) original copies, with each Party hereto holding one (1) copy.
- 8.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the laws of the People's Republic of China.
- 8.3 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of such Commission then in effect. The arbitration shall be conducted in Beijing and the arbitral award shall be final and binding upon the Parties.
- 8.4 The rights, power and remedies provided for each Party herein shall not exclude any other rights, power or remedies to which such Party is entitled under law, regulations, and other provisions herein, and the exercise by one Party of its right, power, or remedies shall not hinder its exercise of any other right, power, or remedies.

- 8.5 Failure to exercise or delay in exercising any right, power, or remedies under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of such Rights, and waiver of any single or partial exercise of the Rights shall not exclude the exercise of the Rights in any other manner or the exercise of any other Rights.
- 8.6 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.
- 8.7 All provisions herein are separable and independent of any other provisions. If one or more provisions hereof are held invalid, illegal or unenforceable at any time, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.
- 8.8 Amendment or addition to this Agreement shall be made in writing and may not become effective unless and until duly executed by the Parties.
- 8.9 Each Borrower may not assign its rights and/or obligations hereunder to any third party without the prior written consent of Lender, while Lender may assign its rights and/or obligations hereunder to its designated third party upon notifying the other Parties.
- 8.10 This Agreement shall be binding upon the legal assigns of each Party.

[Remainder of the page left blank intentionally]

[signature page]

IN WITNESS HEREOF, the Parties have signed this Loan Agreement as of the date and in the place first written above.

Haiyan Qiao

By: /s/ Haiyan Qiao

Ximin Gao

By: /s/ Ximin Gao

Fenghuang On-line (Beijing) Information Technology Co., Ltd. (seal)

By: /s/Shuang Liu

Name: Shuang Liu

Title: CEO

**Loan Agreement**

**by and among**

**Yansheng He**

**Yinxia Liu**

**and**

**Fenghuang On-line (Beijing) Information Technology Co., Ltd. ,**

**December 31, 2009**

**Loan Agreement**

This Loan Agreement (the "Agreement") is entered into by the following parties on December 31, 2009 in Beijing:

- (1) Yansheng He, a PRC citizen (ID No.: \_\_\_\_\_);
- (2) Yinxia Liu, a PRC citizen (ID No.: \_\_\_\_\_);

Yansheng He and Yinxia Liu are referred to hereinafter individually as a "Borrower" and collectively as "Borrowers"; and

- (3) Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Lender"), a wholly foreign-owned enterprise established under the PRC laws, with its registered address at Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China.

Each of the foregoing parties is referred to hereinafter individually as a "Party" and collectively as "Parties".

**WHEREAS:**

- 1. Yansheng He and Yinxia Liu are shareholders on record of Yi Feng Lian He (Beijing) Technology Co., Ltd. ("Yi Feng Lian He"), a limited liability company established under the PRC laws, with its registered address at Fusheng Building Tower 2 Floor 16, No.4 Hui Xin Dong Jie, Chaoyang District, Beijing 100029 China, and with a registered capital of Ten Million Renminbi (RMB10 Million);
- 2. In order to provide for the rights and obligations of both Borrowers and Lender under the relevant loan arrangement, the Parties have agreed as follows:

**ARTICLE ONE DEFINITION**

1.1 As used herein,

"Effective Date" shall mean the date on which this Agreement is duly executed by the Parties hereto;

"Liability" shall mean the outstanding amount under the Loan;

"Loan" shall mean the Renminbi loan advanced by Lender to Borrowers;

"PRC" shall mean the People's Republic of China, and for the purpose of this Agreement, does not include Hong Kong, Macao and Taiwan;

"Repayment Notice" shall have the meaning set forth in Section 3.1;

"Repayment Application" shall have the meaning set forth in Section 3.2;

"Rights" shall have the meaning set forth in Section 8.5.

1.2 Any reference herein to:

any "article", "section" or "subsection" herein shall mean Articles, Sections, and Subsections of this Agreement, unless otherwise provided by the context herein;

any "taxes and fees" herein shall be interpreted as including any tax, fee, duty or other charge of a similar nature (including but not limited to any penalty or interest in connection with the non-payment or delayed payment of such tax); and

"Borrower" and "Lender" herein shall be interpreted as including their successors and assigns respectively permitted by each Party based on its own interest.

1.3 Unless otherwise stated herein, references to this Agreement, any other agreement or any other document, as the case may be, shall be interpreted as also referring to the amendments, revisions, additions and updates which have been made or may be made from time to time to this Agreement, any other agreement or any other document.

1.4 Headings are inserted for ease of reference only.

1.5 Unless otherwise required by the context, plural forms shall include singular and vice versa.

## ARTICLE TWO LOAN AMOUNT AND INTEREST RATE

2.1 The Parties hereby confirm that the total principal amount of the Loan advanced by Lender to Borrower shall be Ten Million Renminbi (RMB10,000,000), including:

a principal amount of Six Million Renminbi (RMB6,000,000) advanced to Yansheng He; and

a principal amount of Four Million Renminbi (RMB4,000,000) advanced to

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Yinxia Liu.

2.2 The Loan advanced hereunder shall bear an interest at the rate of zero percent (0%), i.e. no interest will accrue for the Loan hereunder.

## ARTICLE THREE REPAYMENT

3.1 The term of Loan shall be ten (10) years as of the date of execution of this Agreement, and may be extended upon agreements by the Parties in writing. During the term or extended term of the Loan, Lender may at any time request at its own absolute discretion that the Liability be discharged, in whole or in part, by Borrower or Borrowers, upon a 30-day prior repayment notice to such Borrower or Borrowers ("Repayment Notice"). In the event that Lender requires repayment by any Borrower pursuant to the preceding sentence, Lender shall have the right to purchase or designate a third party to purchase the equity interest held by such Borrower in Yi Feng Lian He at such a price as equaling the amount of the Liability to be discharged by such Borrower, provided, however, that the ratio of the equity interest to be so purchased to the equity interest held by such Borrower in Yi Feng Lian He shall be equivalent to that of the Liability required to be discharged to the principal amount of the Loan borrowed by such Borrower hereunder. The amount of the Liability required to be repaid shall be offset against that of the equity transfer price.

3.2 Any Borrower may at any time apply for the discharge of the Liability, in whole or in part, by sending Lender a 30-day prior notice of application ("Repayment Application"). In such case, Borrower may discharge its Liability only by transferring the equity interest held by such Borrower in Yi Feng Lian He, in whole or in part, to Lender or a third party designated by Lender, and the equity transfer price shall be offset against the amount of the Liability applied for discharge by such Borrower. The ratio of the equity interest, which is to be so transferred, to the equity interest held by such Borrower in Yi Feng Lian He shall be equivalent to that of the Liability for which discharge is applied, to the principal amount of the Loan borrowed by such Borrower hereunder.

3.3 Upon the expiration of the 30-day period set forth in the Repayment Notice or the Repayment Application, as the case may be, Borrower who applies for the repayment of or who is required to repay the Loan shall discharge the Liability in accordance with Section 3.1 or 3.2 respectively.

3.4 When Borrower discharges the Liability pursuant to the above provisions of this Article Three, the Parties shall concurrently consummate the equity transfer as prescribed in Section 3.1 or 3.2 above, to ensure that upon the

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discharge of the Liability, the corresponding equity interest in Yi Feng Lian He shall have been transferred, legally and completely, to Lender or the third party designated by Lender, pursuant to Section 3.1 or 3.2 above, and such equity interest shall be free and clear of any lien or any other encumbrance of any kind.

3.5 During the term or extended term of the Loan, each Borrower shall immediately repay the Loan in full in accordance with Section 3.1 if such Borrower

3.5.1 is dead, incapable of civil action, or has limited capacity for civil action;

3.5.2 engages or is involved in any criminal offence; or

3.5.1 is no longer an employee of Lender or its affiliated company due to whatever reason.

## ARTICLE FOUR TAXES AND FEES

All taxes and fees in connection with the Loan shall be borne by Lender.

## ARTICLE FIVE CONFIDENTIAL INFORMATION

5.1 Each Borrower shall keep in confidence (i) the execution, performance and content of this Agreement, and (ii) Lender's business secrets, proprietary information and client information ("Confidential Information") of which such Borrower may become aware or to which such Borrower may have access in connection with the execution and performance of this Agreement, regardless of the termination hereof. Each

Borrower may use the Confidential Information solely in connection with the performance of its obligations hereunder. Without Lender's written consent, each Borrower may not disclose such Confidential Information to any third party, otherwise, such Borrower shall be held liable for its breaching this Agreement and indemnify Lender against all losses of Lender.

- 5.2 After the termination of this Agreement, Borrowers shall, at Lender's request, return, destroy or otherwise dispose of any and all documents, materials or software containing such Confidential Information and stop using such Confidential Information.
- 5.3 Notwithstanding any other provisions herein, the provisions of this Article Five shall survive the suspension or termination of this Agreement.

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#### ARTICLE SIX NOTICE

- 6.1 Any and all notices, requests, instructions or other communications required to be made hereof or made pursuant to this Agreement by one Party to the other hereunder shall be made in writing.
- 6.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

#### ARTICLE SEVEN LIABILITIES FOR BREACHING

- 7.1 Each Borrower hereby covenants that it will indemnify and hold harmless Lender against any action, charge, claim, cost, harm, demand, fee, liability, loss and procedure incurred by Lender arising out of such Borrower's breach of any of its obligations hereunder.
- 7.2 Notwithstanding any other provisions herein, the provisions of this Article Seven shall survive the suspension or termination of this Agreement.

#### ARTICLE EIGHT MISCELLANEOUS

- 8.1 This Agreement is made in Chinese in three (3) original copies, with each Party hereto holding one (1) copy.
- 8.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the laws of the People's Republic of China.
- 8.3 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of such Commission then in effect. The arbitration shall be conducted in Beijing and the arbitral award shall be final and binding upon the Parties.
- 8.4 The rights, power and remedies provided for each Party herein shall not exclude any other rights, power or remedies to which such Party is entitled under law, regulations, and other provisions herein, and the exercise by one Party of its right, power, or remedies shall not hinder its exercise of any other right, power, or remedies.

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- 8.5 Failure to exercise or delay in exercising any right, power, or remedies under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of such Rights, and waiver of any single or partial exercise of the Rights shall not exclude the exercise of the Rights in any other manner or the exercise of any other Rights.
- 8.6 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.
- 8.7 All provisions herein are separable and independent of any other provisions. If one or more provisions hereof are held invalid, illegal or unenforceable at any time, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.
- 8.8 Amendment or addition to this Agreement shall be made in writing and may not become effective unless and until duly executed by the Parties.
- 8.9 Each Borrower may not assign its rights and/or obligations hereunder to any third party without the prior written consent of Lender, while Lender may assign its rights and/or obligations hereunder to its designated third party upon notifying the other Parties.
- 8.10 This Agreement shall be binding upon the legal assigns of each Party.

[Remainder of the page left blank intentionally]

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[signature page]

IN WITNESS HEREOF, the Parties have signed this Loan Agreement as of the date and in the place first written above.

Yansheng He

By: /s/ Yansheng He

Yinxia Liu

By: /s/ Yinxia Liu

Fenghuang On-line (Beijing) Information Technology Co., Ltd. (seal)

By: /s/Shuang Liu

Name: Shuang Liu

Title: CEO

**Voting Right Entrustment Agreement**  
**of Beijing Tianying Jiuzhou Network Technology Co., Ltd.**  
**by and among**  
**Fenghuang On-line (Beijing) Information Technology Co., Ltd. ,**  
**Beijing Tianying Jiuzhou Network Technology Co., Ltd.,**  
**Haiyan Qiao**  
**and**  
**Ximin Gao**  
**December 31, 2009**

**Voting Right Entrustment Agreement**

This Voting Right Entrustment Agreement (the "Agreement") is entered into by the following parties on December 31, 2009 in Beijing, the People's Republic of China ("China"):

- (1) Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Fenghuang On-line")  
Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China  
Legal Representative: Shuang Liu
- (2) Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("Tianying Jiuzhou")  
Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China  
Legal Representative: Haiyan Qiao
- (3) Haiyan Qiao  
ID No.:
- (4) Ximin Gao  
ID No.:

Haiyan Qiao and Ximin Gao are referred to hereinafter individually as a "Shareholder" and collectively as "Shareholders".

Each of the foregoing parties is referred to hereinafter individually as a "Party" and collectively as "Parties".

WHEREAS:

1. Shareholders are all the existing shareholders of Tianying Jiuzhou and hold all the equity interest therein; and
2. Shareholders intend to entrust the voting rights Shareholders enjoy as shareholders of Tianying Jiuzhou to certain individuals designated by Fenghuang On-line and Fenghuang On-line intends to designate such individuals to be so entrusted.

NOW, THEREFORE, the Parties have agreed as follows upon friendly consultation:

ARTICLE ONE VOTING RIGHT ENTRUSTMENT

- 1.1 Each Shareholder hereby irrevocably undertakes to sign a power of attorney upon the execution of this Agreement, whereby a certain individual ("Trustee") then designated by Fenghuang On-line will be empowered to exercise the following rights such Shareholder enjoys as shareholder of Tianying Jiuzhou ("Entrusted Rights"):
  - (i) attend the shareholders meeting of Tianying Jiuzhou as the proxy of such Shareholder;
  - (ii) vote on behalf of such Shareholder on all matters requiring discussion and resolution by shareholders meeting(including but not limited to the appointment and election of directors, general manager and other senior executives of Tianying Jiuzhou);
  - (iii) propose that an interim shareholders meeting be convened;
  - (iv) exercise Shareholder's voting right provided by law; and



- (v) exercise any other Shareholder's voting right provided by the Articles of Association of Tianying Jiuzhou, as amended.
- 1.2 As a precondition to the abovementioned empowerment and entrustment, a Trustee shall be a PRC citizen and the abovementioned empowerment and entrustment shall be accepted by Fenghuang On-line. Upon and only upon a written notice from Fenghuang On-line to Shareholders regarding the removal of any Trustee, Shareholders shall immediately appoint such other PRC citizen as designated by Fenghuang On-line then to exercise such Entrusted Rights. A new power of attorney, once made, shall replace the original one immediately. In addition, Shareholders may not withdraw the entrustment and empowerment made to Trustee.
- 1.3 To the extent authorized hereunder, Trustee shall perform its fiduciary obligations with care and diligence in accordance with law and Shareholders shall acknowledge and be responsible for any and all legal consequences arising out of Trustee's exercise of such Entrusted Rights.
- 1.4 Shareholders hereby acknowledge that Trustee may exercise its Entrusted Rights without seeking Shareholders' opinion in advance, except to the extent required by the PRC law; provided, however, that Trustee shall advise Shareholders promptly of any resolution or any proposal for an interim

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shareholders meeting once the same is made.

- 1.5 Shareholders hereby acknowledge that Trustee shall have the right to appoint any entity or individual to exercise Trustee's Entrusted Rights under Section 1.1 without Shareholders' consent.

#### ARTICLE TWO RIGHT TO KNOW

For the purpose of the Entrusted Rights hereunder, Trustee shall have full right to know all information regarding Tianying Jiuzhou's operation, business, clients, finance, and employees as well as full access to the relevant documentations of Tianying Jiuzhou, including but not limited to any and all accounts, statements, contracts and internal communications in respect of finance, business and operation, all minutes of the board, and all other documents, and Tianying Jiuzhou shall give full support thereto.

#### ARTICLE THREE EXERCISE OF THE ENTRUSTED RIGHTS

- 3.1 Shareholders will provide Trustee with full assistance required by Trustee in its exercise of the Entrusted Rights, including signing in a timely manner the resolutions of the shareholders meeting or other relevant legal documents made by Trustee (so as, by way of example, to submit the documents required by the regulatory bodies in their examination and approval, registration or filing procedures).
- 3.2 If, at any time during the term hereof, the grant or exercise of the Entrusted Rights hereunder is rendered impossible by any cause (other than Shareholder's or Tianying Jiuzhou's breach of this Agreement), the Parties hereto shall immediately replace the invalid provision(s) with one(s) that is closest in meaning to the invalid provision(s) and, where necessary, execute any supplementary agreement to amend or readjust the terms and conditions hereof, so as to ensure the realization of the purposes hereof.

#### ARTICLE FOUR DISCLAIMER; INDEMNIFICATION

- 4.1 All Parties acknowledge that if the Entrusted Rights hereunder is exercised by any entity/individual appointed by Fenghuang On-line, it shall not be required to be liable or make any compensation, economic or otherwise, to any third party on account of such appointment.
- 4.2 Tianying Jiuzhou and Shareholders agree that they shall indemnify and hold harmless Trustee against all losses that Trustee sustained or may sustain by reason of its exercise of the Entrusted Rights, including but not limited to any and all losses arising out of any lawsuit, recovery, arbitration or claim

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brought forth by any third party or any administrative investigation or penalty, unless such losses are caused by Trustee's willful misconduct or gross negligence.

#### ARTICLE FIVE REPRESENTATIONS AND WARRANTIES

- 5.1 Shareholders hereby represent and warrant severally and jointly that
- 5.1.1 each of them is a PRC citizen with full capacity, has full and independent legal status and capacity, and may act as an independent litigation subject;
- 5.1.2 each of them has full power and authorization to sign and deliver this Agreement as well as all other documents to be signed by each in connection with the transaction anticipated herein and to consummate such transaction;
- 5.1.3 this Agreement is duly and appropriately signed and delivered by each of them and constitutes their legal, valid and binding obligations, enforceable in accordance with its terms; and
- 5.1.4 each of them is a legal shareholder on record of Ting Ying Jiu Zhou at the time this Agreement becomes effective; there is no any other third party right over the Entrusted Rights other than that provided for in this Agreement, the Equity Pledge Agreement by and between Shareholders and Trustees and the Exclusive Equity Option Agreement by and among Shareholders, Tianying Jiuzhou and Trustees; and subject to this Agreement, the Entrusted Rights may be fully exercised by Trustees in accordance with the articles of association of Tianying Jiuzhou then in effect.

5.2 Fenghuang On-line and Tianying Jiuzhou each represents and warrants that

- 5.2.1 it is a limited liability company duly registered and validly existing under the PRC laws, with independent legal person status; it has the complete and independent legal status and capacity required to sign, deliver and perform this Agreement and to act as an independent litigation subject; and
- 5.2.2 it has full internal corporate power and authorization to sign and deliver this Agreement as well as all other documents to be signed by it in connection with the transaction anticipated herein and the full power and authorization to consummate such transaction.

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5.3 Tianying Jiuzhou further represents and warrants that each Shareholder is a legal shareholder on record of Tingying Jiuzhou at the time this Agreement becomes effective and that subject to this Agreement, the Entrusted Rights may be fully exercised by Trustees in accordance with the articles of association of Tianying Jiuzhou then in effect.

#### ARTICLE SIX TERM

- 6.1 This Agreement shall become effective on the date on which it is duly signed by the Parties and shall continue being effective unless terminated in advance or extended as agreed to by the Parties in writing, or unless earlier terminated pursuant to Section 8.1 hereof.
- 6.2 If either Shareholder transfers all its equity interest in Tianying Jiuzhou upon prior consent of Fenghuang On-line, such Shareholder shall no longer be a Party hereto and the obligations and warrants of the other Parties hereunder shall not be adversely affected thereby.

#### ARTICLE SEVEN NOTICE

- 7.1 Any and all notices, requests, instructions or other communications required to be made hereof or made pursuant to this Agreement by one Party to the other hereunder shall be made in writing.
- 7.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

#### ARTICLE EIGHT LIABILITIES FOR BREACHING

- 8.1 All Parties agree and acknowledge that a substantial breach of any covenant or failure to substantially perform any obligation hereunder by any Party (the "Default Party") shall constitute a breach of this Agreement ("Breach"), and the non-default Party or Parties (the "Non-default Party") shall have the right to demand rectification or remedy by the Default Party within a reasonable period of time. If the Default Party fails to rectify the Breach or to take remedial measures within such reasonable period of time or ten (10) days following the Non-default Party's written notice and demand for rectification thereof, then, in the case of any Breach by Shareholders or Tianying Jiuzhou, the Non-default Party may, at its own discretion, (i) terminate this Agreement and demand indemnification by the Default Party for all damages, or (ii) require the Default

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Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages; or in the case of any Breach by Fenghuang On-line, the Non-default Party may require the Default Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages.

- 8.2 All Parties agree and acknowledge that under no circumstances may Shareholders or Tianying Jiuzhou terminate this Agreement on any ground, unless otherwise provided for by law or this Agreement.
- 8.3 Notwithstanding any other provisions herein, the provisions of this Article Eight shall survive the suspension or termination of this Agreement.

#### ARTICLE NINE MISCELLANEOUS

- 9.1 This Agreement is made in Chinese in four (4) original copies, with each Party hereto holding one (1) copy.
- 9.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the laws of the People's Republic of China.
- 9.3 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of such Commission then in effect. The arbitration shall be conducted in Beijing and the arbitral award shall be final and binding upon the Parties.
- 9.4 The rights, power and remedies provided for each Party herein shall not exclude any other rights, power or remedies to which such Party is entitled under law, regulations, and other provisions herein, and the exercise by one Party of its right, power, or remedies shall not hinder its exercise of any other right, power, or remedies.
- 9.5 Failure to exercise or delay in exercising any right, power, or remedies under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of such Rights, and waiver of any single or partial exercise of the Rights shall not exclude the exercise of the Rights in any other manner or the exercise of any other Rights.

9.6 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.

9.7 All provisions herein are separable and independent of any other provisions. If one or more provisions hereof are held invalid, illegal or unenforceable at any time, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.

9.8 Amendment or addition to this Agreement shall be made in writing and may not become effective unless and until duly executed by the Parties.

9.9 No Party may assign its rights and/or obligations under this Agreement without the prior written consent of the other Party or Parties.

9.10 This Agreement shall be binding upon the legal assigns of any Party.

[Remainder of the page left blank intentionally]

[signature page]

IN WITNESS HEREOF, the Parties have signed this Voting Right Entrustment Agreement as of the date and in the place first written above.

Fenghuang On-line (Beijing) Information Technology Co., Ltd. (seal)

By: /s/ Haiyan Qiao  
Name: Haiyan Qiao  
Title:

Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("seal")

By: /s/ Ming Chen  
Name: Ming Chen  
Title:

Haiyan Qiao

By: /s/ Haiyan Qiao

Ximin Gao

By: /s/ Ximin Gao

**Voting Right Entrustment Agreement**  
**of Yifeng Lianhe (Beijing) Technology Co., Ltd.**

by and among

**Fenghuang On-line (Beijing) Information Technology Co., Ltd. ,**

**Yifeng Lianhe (Beijing) Technology Co., Ltd.,**

**Yansheng He**

and

**Yinxia Liu**

**December 31, 2009**

**Voting Right Entrustment Agreement**

This Voting Right Entrustment Agreement (the "Agreement") is entered into by the following parties on December 31, 2009 in Beijing, the People's Republic of China ("China"):

- (1) Fenghuang On-line (Beijing) Information Technology Co., Ltd. ("Fenghuang On-line")  
Registered Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing, China  
Legal Representative: Liu Shuang
- (2) Yifeng Lianhe (Beijing) Technology Co., Ltd. ("Yifeng Lianhe")  
Registered Address: Fusheng Building Tower 2 Floor 16, No.4 Hui Xin Dong Jie, Chaoyang District, Beijing 100029 China  
Legal Representative: Yansheng He
- (3) Yansheng He  
ID No.:
- (4) Yinxia Liu  
ID No.:

Yansheng He and Yinxia Liu are referred to hereinafter individually as a "Shareholder" and collectively as "Shareholders".

Each of the foregoing parties is referred to hereinafter individually as a "Party" and collectively as "Parties".

WHEREAS:

1. Shareholders are all the existing shareholders of Yifeng Lianhe and hold all the equity interest therein; and
2. Shareholders intend to entrust the voting rights Shareholders enjoy as shareholders of Yifeng Lianhe to certain individuals designated by Fenghuang On-line and Fenghuang On-line intends to designate such individuals to be so entrusted.

NOW, THEREFORE, the Parties have agreed as follows upon friendly consultation:

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ARTICLE ONE VOTING RIGHT ENTRUST

- 1.1 Each Shareholder hereby irrevocably undertakes to sign a power of attorney upon the execution of this Agreement, whereby a certain individual ("Trustee") then designated by Fenghuang On-line will be empowered to exercise the following rights such Shareholder enjoys as shareholder of Yifeng Lianhe ("Entrusted Rights"):
  - (i) attend the shareholders meeting of Yifeng Lianhe as the proxy of such Shareholder;
  - (ii) vote on behalf of such Shareholder on all matters requiring discussion and resolution by shareholders meeting(including but not limited to the appointment and election of directors, general manager and other senior executives of Yifeng Lianhe);
  - (iii) propose that an interim shareholders meeting be convened;
  - (iv) exercise Shareholder's voting right provided by law; and

- (v) exercise any other Shareholder's voting right provided by the Articles of Association of Yifeng Lianhe, as amended.
- 1.2 As a precondition to the abovementioned empowerment and entrustment, a Trustee shall be a PRC citizen and the abovementioned empowerment and entrustment shall be accepted by Fenghuang On-line. Upon and only upon a written notice from Fenghuang On-line to Shareholders regarding the removal of any Trustee, Shareholders shall immediately appoint such other PRC citizen as designated by Fenghuang On-line then to exercise such Entrusted Rights. A new power of attorney, once made, shall replace the original one immediately. In addition, Shareholders may not withdraw the entrustment and empowerment made to Trustee.
- 1.3 To the extent authorized hereunder, Trustee shall perform its fiduciary obligations with care and diligence in accordance with law and Shareholders shall acknowledge and be responsible for any and all legal consequences arising out of Trustee's exercise of such Entrusted Rights.
- 1.4 Shareholders hereby acknowledge that Trustee may exercise its Entrusted Rights without seeking Shareholders' opinion in advance, except to the extent required by the PRC law; provided, however, that Trustee shall advise Shareholders promptly of any resolution or any proposal for an interim

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shareholders meeting once the same is made.

- 1.5 Shareholders hereby acknowledge that Trustee shall have the right to appoint any entity or individual to exercise Trustee's Entrusted Rights under Section 1.1 without Shareholders' consent.

#### ARTICLE TWO RIGHT TO KNOW

For the purpose of the Entrusted Rights hereunder, Trustee shall have full right to know all information regarding Yifeng Lianhe's operation, business, clients, finance, and employees as well as full access to the relevant documentations of Yifeng Lianhe, including but not limited to any and all accounts, statements, contracts and internal communications in respect of finance, business and operation, all minutes of the board, and all other documents, and Yifeng Lianhe shall give full support thereto.

#### ARTICLE THREE EXERCISE OF THE ENTRUSTED RIGHTS

- 3.1 Shareholders will provide Trustee with full assistance required by Trustee in its exercise of the Entrusted Rights, including signing in a timely manner the resolutions of the shareholders meeting or other relevant legal documents made by Trustee (so as, by way of example, to submit the documents required by the regulatory bodies in their examination and approval, registration or filing procedures).
- 3.2 If, at any time during the term hereof, the grant or exercise of the Entrusted Rights hereunder is rendered impossible by any cause (other than Shareholder's or Yifeng Lianhe's breach of this Agreement), the Parties hereto shall immediately replace the invalid provision(s) with one(s) that is closest in meaning to the invalid provision(s) and, where necessary, execute any supplementary agreement to amend or readjust the terms and conditions hereof, so as to ensure the realization of the purposes hereof.

#### ARTICLE FOUR DISCLAIMER; INDEMNIFICATION

- 4.1 All Parties acknowledge that if the Entrusted Rights hereunder is exercised by any entity/individual appointed by Fenghuang On-line, it shall not be required to be liable or make any compensation, economic or otherwise, to any third party on account of such appointment.
- 4.2 Yifeng Lianhe and Shareholders agree that they shall indemnify and hold harmless Trustee against all losses that Trustee sustained or may sustain by reason of its exercise of the Entrusted Rights, including but not limited to any and all losses arising out of any lawsuit, recovery, arbitration or claim brought forth by any third party or any administrative investigation or

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penalty, unless such losses are caused by Trustee's willful misconduct or gross negligence.

#### ARTICLE FIVE REPRESENTATIONS AND WARRANTIES

- 5.1 Shareholders hereby represent and warrant severally and jointly that
- 5.1.1 each of them is a PRC citizen with full capacity, has full and independent legal status and capacity, and may act as an independent litigation subject;
- 5.1.2 each of them has full power and authorization to sign and deliver this Agreement as well as all other documents to be signed by each in connection with the transaction anticipated herein and to consummate such transaction;
- 5.1.3 this Agreement is duly and appropriately signed and delivered by each of them and constitutes their legal, valid and binding obligations, enforceable in accordance with its terms; and
- 5.1.4 each of them is a legal shareholder on record of Ting Ying Jiu Zhou at the time this Agreement becomes effective; there is no any other third party right over the Entrusted Rights other than that provided for in this Agreement, the Equity Pledge Agreement by and between Shareholders and Trustees and the Exclusive Equity Option Agreement by and among Shareholders, Yifeng Lianhe and Trustees; and subject to this Agreement, the Entrusted Rights may be fully exercised by Trustees in accordance with the articles of association of Yifeng Lianhe then in effect.

- 5.2 Fenghuang On-line and Yifeng Lianhe each represents and warrants that
- 5.2.1 it is a limited liability company duly registered and validly existing under the PRC laws, with independent legal person status; it has the complete and independent legal status and capacity required to sign, deliver and perform this Agreement and to act as an independent litigation subject; and
- 5.2.2 it has full internal corporate power and authorization to sign and deliver this Agreement as well as all other documents to be signed by it in connection with the transaction anticipated herein and the full power and authorization to consummate such transaction.
- 5.3 Yifeng Lianhe further represents and warrants that each Shareholder is a

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legal shareholder on record of Ting Ying Jiu Zhou at the time this Agreement becomes effective and that subject to this Agreement, the Entrusted Rights may be fully exercised by Trustees in accordance with the articles of association of Yifeng Lianhe then in effect.

#### ARTICLE SIX TERM

- 6.1 This Agreement shall become effective on the date on which it is duly signed by the Parties and shall continue being effective unless terminated in advance or extended as agreed to by the Parties in writing, or unless earlier terminated pursuant to Section 8.1 hereof.
- 6.2 If either Shareholder transfers all its equity interest in Yifeng Lianhe upon prior consent of Fenghuang On-line, such Shareholder shall no longer be a Party hereto and the obligations and warrants of the other Parties hereunder shall not be adversely affected thereby.

#### ARTICLE SEVEN NOTICE

- 7.1 Any and all notices, requests, instructions or other communications required to be made hereof or made pursuant to this Agreement by one Party to the other hereunder shall be made in writing.
- 7.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

#### ARTICLE EIGHT LIABILITIES FOR BREACHING

- 8.1 All Parties agree and acknowledge that a substantial breach of any covenant or failure to substantially perform any obligation hereunder by any Party (the "Default Party") shall constitute a breach of this Agreement ("Breach"), and the non-default Party or Parties (the "Non-default Party") shall have the right to demand rectification or remedy by the Default Party within a reasonable period of time. If the Default Party fails to rectify the Breach or to take remedial measures within such reasonable period of time or ten (10) days following the Non-default Party's written notice and demand for rectification thereof, then, in the case of any Breach by Shareholders or Yifeng Lianhe, the Non-default Party may, at its own discretion, (i) terminate this Agreement and demand indemnification by the Default Party for all damages, or (ii) require the Default Party to continue performing its obligations hereunder and indemnify the Non-default Party for all its damages; or in the case of any Breach by Fenghuang On-line, the Non-default Party may require the Default Party to continue performing its obligations hereunder and indemnify the

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Non-default Party for all its damages.

- 8.2 All Parties agree and acknowledge that under no circumstances may Shareholders or Yifeng Lianhe terminate this Agreement on any ground, unless otherwise provided for by law or this Agreement.
- 8.3 Notwithstanding any other provisions herein, the provisions of this Article Eight shall survive the suspension or termination of this Agreement.

#### ARTICLE NINE MISCELLANEOUS

- 9.1 This Agreement is made in Chinese in four (4) original copies, with each Party hereto holding one (1) copy.
- 9.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the laws of the People's Republic of China.
- 9.3 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of such Commission then in effect. The arbitration shall be conducted in Beijing and the arbitral award shall be final and binding upon the Parties.
- 9.4 The rights, power and remedies provided for each Party herein shall not exclude any other rights, power or remedies to which such Party is entitled under law, regulations, and other provisions herein, and the exercise by one Party of its right, power, or remedies shall not hinder its exercise of any other right, power, or remedies.
- 9.5 Failure to exercise or delay in exercising any right, power, or remedies under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of such Rights, and waiver of any single or partial exercise of the Rights shall not exclude the exercise of the Rights in any other manner or the exercise of any other Rights.

9.6 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.

9.7 All provisions herein are separable and independent of any other provisions.

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If one or more provisions hereof are held invalid, illegal or unenforceable at any time, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.

9.8 Amendment or addition to this Agreement shall be made in writing and may not become effective unless and until duly executed by the Parties.

9.9 No Party may assign its rights and/or obligations under this Agreement without the prior written consent of the other Party or Parties.

9.10 This Agreement shall be binding upon the legal assigns of any Party.

[Remainder of the page left blank intentionally]

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[signature page]

IN WITNESS HEREOF, the Parties have signed this Voting Right Entrustment Agreement as of the date and in the place first written above.

Fenghuang On-line (Beijing) Information Technology Co., Ltd. (seal)

By: /s/ Yansheng He

Name: Yansheng He

Title:

Yifeng Lianhe (Beijing) Technology Co., Ltd. ("seal")

By: /s/ Ming Chen

Name: Ming Chen

Title:

Yansheng He

By: /s/ Yansheng He

Yinxia Liu

By: /s/ Yinxia Liu

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**Agreement Between Phoenix Satellite TV and Phoenix New Media Regarding Cooperation in the Fields of Content, Branding, Promotion and Technology**

Phoenix Satellite TV (“PSTV”) and Phoenix New Media (“PNM”) have entered into the following agreement in respect of cooperation in the fields of branding, content, promotion and technology to further promote the sound and rapid development of PNM, enhance the use and management of PSTV’s brand and program content resources on the Internet and in mobile business, safeguard the interest and commercial value of the entire PSTV Group, achieve maximum returns from the non-cash support provided by the PSTV Group to PNM in branding, content and promotion, attain the full realization of PNM’s value in the capital market, and maximize the interest of the PSTV Group and each shareholder of the PSTV Group.

**Definition**

“Party A”: Phoenix Satellite Television Holdings Limited

“Party B”: Phoenix Online (Beijing) Information Technology Co., Ltd. (“Phoenix Online”)

“Brand and Program Content Resources”: brands for which Party A and Phoenix Satellite Television Company Limited and/or Phoenix Satellite Television Trademark Limited (collectively, “Party A Subsidiaries”) own exclusive domain names, Party A’s trademarks as agreed to in writing by Party A Subsidiaries and Party B from time to time, and the video, audio, text and graphic program content as well as the Phoenix Weekly text and graphic materials for which Party A owns copyrights in the Internet, Mobile Communication and Derivative Businesses (as defined below).

“Internet, Mobile Communication and Derivative Businesses”: Internet, mobile communication and derivative businesses (which derivative business includes but is not limited to text, graphics, videos, audio, blogs, forums, short messages, multimedia messages, polyphonic ringtone, WAP, IVR, IVVR, streaming media, websites, games, etc. used in Internet and mobile communication) transmitted through various information networks based on IP communication technology and mobile communication technological standards, including but not limited to Internet, fixed communication network, mobile communication network, IP communication network, IPTV network (other than the IPTV-based program contracts set forth in Subsection 1 (b) hereof) and mobile network, excluding video tapes (film tapes and disks), BtoB, Intranets of educational institutions and libraries, entertainment programs broadcasted on planes, and broadcasts or receptions made through the following media forms: free TV broadcast, satellite TV broadcast, wire TV broadcast, MMDS, SMATV, DTH, and Direct broadcast satellite).

“China”: Mainland China, excluding Hong Kong and Macao.

1. Party A will grant, and will cause Party A Subsidiaries to grant, to Party B an

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exclusive right to manage the operation of Party A’s Brand and Program Content Resources in the Internet, Mobile Communication and Derivative Businesses. No unit (department) within Party A and/or Party A Subsidiaries may negotiate or cooperate with any entity or individual other than Party B in connection with the foregoing business without Party B’s consent (which consent shall not be withheld or delayed unreasonably), except in cases in which:

- (a) Party A sells TV-based programs in areas outside of China and must bundle or provide free of charge rights to its direct, on demand or mobile telecom broadcastings on the same purchaser’s IP network;
- (b) Party A enters into IPTV-based program contracts for sales in territories other than China and Taiwan, as Party B is notified by Party A from time to time; or
- (c) the BtoB website [www.phoenixtv-distribution.com](http://www.phoenixtv-distribution.com) is used by a program distributor who was retained and used by Party A prior to the execution of this Agreement.

2. Pursuant to Section 1 above, Party A will provide, and will cause Party A Subsidiaries to provide, to Party B the Brand and Program Content Resources to which Party A and/or Party A Subsidiaries own copyrights. Party A will cause and designate either Phoenix Satellite Television Trademark Limited or Phoenix Satellite Television Company Limited to enter into license agreements with Phoenix Online, Beijing Tianying Jiuzhou Network Technology Co., Ltd. (“Tianying Jiuzhou”) and/or Yifeng Lianhe (Beijing) Technology Co., Ltd. (“Yifeng Lianhe”) with respect to the use of specific trademarks, domain names and program content, and will issue authorization documents separately in connection with license agreement(s) or sales agreement(s) among Phoenix Online, Tianying Jiuzhou and/or Yifeng Lianhe and third parties that have been pre-approved by Party A.

3. Party A will grant, and will cause Party A Subsidiaries to grant to Party B an exclusive right to sublicense, sell and cooperate with third parties in connection with Party A’s Brand and Program Content Resources in the Internet, Mobile Communication and Derivative Businesses and retain the benefit thereof.

4. Party A will provide promotional services on its TV platform for Party B’s brand and products, including through Party A’s rolling banners, anchor persons’ speech and acknowledgements for program sponsors, etc.; provided, however, that any specific arrangement thereof shall not be effective prior to both Parties entering into a separate agreement in writing between the Parties.

5. Party B will provide Party A with full support in terms of Internet and wireless content, technology, product and marketing. In line with increases in Party B’s users and users’ visits to Party B’s websites, Party B will continue to invest more resources and personnel in the areas of hardware equipment, technology development, platform maintenance, bandwidth resources, maintenance of Party A’s content, and promotion of Party A’s brand, so as to ensure Party B’s support of Party A.

6. Party B will provide Party A with graphics and text of audiovisual content, users’



feedback network surveys, blogs, forums, short messages, multimedia messages, original visual program content and materials for which Party B has copyrights.

7. Party B will provide Party A with comprehensive promotional services for Party A's Brand and Program Content Resources on its Internet and mobile platforms so as to promote the recognition of Party A's brand, the good reputation associated therewith and the loyalty thereto among the white-collar and young consumers.
8. Party B grants to Party A an exclusive right of TV-network advertisement bundle sales, and Party B agrees to pay to Party A an agency fee in respect of such bundle sales right. Such bundle sales right will become effective if specific terms are set forth in a separate agreement in writing between the Parties.
9. Party A and Party B agree to actively cooperate in brand promotion and marketing, through interaction between TV station and internet or mobile phone network.
10. Subject to the cooperative arrangements set forth in Sections 1 through 7 and Section 9 above, and based on each Party's contributions thereto and returns therefrom, Party B shall pay a service fee to Party A pursuant to Exhibit 1 hereto during the term hereof. In addition, Party B shall keep and maintain true, exact, and complete records and accounts of its monthly sales in a manner designated by Party A and present such records and accounts to Party A at such time or times as determined by Party A.
11. This Agreement shall have a term of 5 years commencing on the date hereof, which term may be extended if this Agreement is renewed with necessary amendments agreed upon by the Parties through amicable negotiation.
12. If, during the term hereof, Party B's equity structure changes materially, reducing Party A's equity interest in Party B to 50% or less of the total number of shares actually issued, Party A may propose amendment(s) to this Agreement; provided, however, that the annual service fee following such amendment shall not be more than 500% of the original annual service fee.
13. If, during the term hereof, Party B's equity structure changes materially, reducing Party A's equity interest in Party B to 35% or less of the total number of shares actually issued, Party A may terminate this Agreement immediately and renegotiate or revise this Agreement with Party B.
14. Party B agrees and warrants that:
  - (i) Party B may use Party A's Brand and Program Content Resources solely in accordance with law, such use will not subject Party A to any claim, legal action or proceeding, and Party B will indemnify Party A for all expenses, losses, harm and costs incurred by Party A as a result of Party B's use of the Brand and Program Content Resources;
  - (ii) without Party A's consent, Party B will not assign or transfer any of its rights and obligations hereunder to any third party; and

(iii) Party B will make all necessary filings and registrations with relevant authorities as required by Party A and applicable laws and will be responsible for all relevant fees and expenses arising therefrom.

15. Prior to Party B's exercise of any right hereunder, including the right to perform, display, play and show Party A's Brand and Program Content Resources or any portion thereof, Party B shall be obligated to obtain in advance all relevant licenses, approvals and permits required for such exercise in the relevant territory, including paying royalties to music royalty groups, if applicable, as well as all other relevant fees in connection therewith, and Party A will not be responsible for any and all liabilities arising therefrom. In the event of any breach of this Section 15 by Party B, Party B shall be responsible for all liabilities arising therefrom and shall hold Party A harmless from all harm and losses.
16. Both Parties agree that all amounts payable by Party B to Party A hereunder shall be net of all taxes, levies and other charges, which taxes, levies and other charges shall be borne by Party B.
17. **Governing Law and Dispute Resolution:** The execution, validity, interpretation, performance and dispute resolution of this Agreement shall be governed by PRC law. Any dispute, conflict or claim arising out of or in connection with this Agreement or the performance hereof shall be resolved by the Parties through amicable negotiation, which negotiation shall commence immediately upon notice by one Party to the other of the nature of such dispute, conflict or claim. In the event that such dispute is not resolved within thirty (30) business days following such notice, either Party may, upon the expiration of such 30-day notice period, submit such dispute to arbitration by the Hong Kong International Arbitration Centre in accordance with the arbitration rules of such centre then in effect. The arbitration shall be conducted in Hong Kong in English and the arbitral award shall be binding upon both Parties. During the resolution (including the arbitration) of the dispute, the Parties shall continue to perform other portions of this Agreement unaffected by such dispute.

[Remainder of this page intentionally left blank]

By: /s/ Jiyan Wang

Name: Jiyan Wang

Title:

Date: November 24, 2009

Party B: Phoenix Online (Beijing) Information Technology Co., Ltd.

By: \_\_\_\_\_

Name:

Title:

Date:

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Party A: Phoenix Satellite Television Holdings Limited

By: \_\_\_\_\_

Name:

Title:

Date:

Party B: Phoenix Online (Beijing) Information Technology Co., Ltd. (seal)

By: /s/ Shuang Liu

Name: Shuang Liu

Title: Authorized Representative

Date: November 24, 2009

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#### EXHIBIT 1

The service fee payable by Party B to Party A is as follows:

- (1) 50% of the after-tax gross income from sales by Party B of PSTV's video content to enterprises and institutions; commencing in 2010, Party B shall provide statements of such gross income within 30 days upon the end of each quarter, and pay such 50% within 45 days upon the end of each quarter; and
- (2) the service fee payable hereunder shall be RMB1.6 million for the initial year and 125% of the service fee of the immediately preceding year for the 2<sup>nd</sup> year onwards until the expiration of this Agreement; Party B shall prepay 50% of the service fee for the initial year, *i.e.*, RMB0.8 million, prior to December 25, 2009, and 50% of the service fee for the then current year every six months during the term hereof.

"Tax" in Section (1) above includes income tax, business tax and surcharges.

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**Supplemental Agreement to the Content, Branding, Promotion and Technology Cooperation Agreement**

Party A: Phoenix Satellite Television Holdings Limited  
Party B: Phoenix Online (Beijing) Information Technology Co., Ltd.

For certain reasons, Party B intends to amend certain provisions contained in the agreement between Phoenix TV and Phoenix New Media Regarding Cooperation in the Fields of Content, Brand, Promotion and Technology (the "Cooperation Agreement") dated November 24, 2009 between Party A and Party B. Now, upon friendly negotiations, Party A and Party B have agreed as follows:

1. Both Party A and Party B agree that Sections 11 and 12 of the Cooperation Agreement shall be deleted in their entirety and replaced by the provisions below:
  - "11. This Agreement shall last from the date hereof to March 27, 2016 and may be extended at expiration if this Agreement is renewed with necessary amendments by the Parties through friendly negotiation.
  12. If, during the term hereof, material changes have occurred to the structure of Party B's equity interest, reducing Party A's controlling voting shares in Party B to 50% or less of the total voting shares, Party A may propose amendment(s) to the service fee under this Agreement, provided, however, that the amount of annual service fee following such amendment shall not be more than 500% of the original."
2. This Supplemental Agreement shall be in addition to the Cooperation Agreement. Other than the portions deleted hereby, all the remaining provisions of the Cooperation Agreement shall remain unchanged and be carried out by the Parties.
3. This Supplemental Agreement shall constitute an integral part of the Cooperation Agreement and have equal validity.
4. This Supplemental Agreement is prepared in two (2) copies and shall become effective once signed by and affixed with the corporate seal of each Party.

(remainder of the page left blank intentionally)

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Party A: Phoenix Satellite Television Holdings Limited

By: /s/ Keung Chui  
 Name: Keung Chui  
 Title: Director  
 Date: March 28, 2011

Party B: Phoenix Online (Beijing) Information Technology Co., Ltd.

By: /s/ Shuang Liu  
 Name: Shuang Liu  
 Title: Authorized Representative  
 Date: March 28, 2011

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**Program Content License Agreement**

between

**Phoenix Satellite Television Company Limited**

and

**Beijing Tianying Jiuzhou Network Technology Co., Ltd.****November 24, 2009****Program Content License Agreement**

This Program Content License Agreement (“Agreement”) is entered into between the following two parties on November 24, 2009 in Beijing:

Phoenix Satellite Television Company Limited (“Party A” or “Phoenix Satellite TV”), a foreign enterprise duly established and validly existing under the laws of Hong Kong

Registered Address: No. 2-6, Dai King Street, Taipo Industrial Estate, Taipo, N. T., H.K.

Authorized Representative: Cui Qiang

and

Beijing Tianying Jiuzhou Network Technology Co., Ltd. (“Party B”), a limited liability company duly registered and validly existing under PRC laws

Address: Floor 5 Information Building, No. 12 Zhongguancun South Street, Haidian District, Beijing 100081 China

Legal Representative: Qiao Hai Yan

Party A and Party B are hereinafter referred to individually as a “Party” and collectively as “Parties”.

WHEREAS:

1. Party A owns copyrights and other related rights to the programs listed in Exhibit 1 hereto, as amended from time to time;
2. In accordance with the “Agreement Between Phoenix Satellite TV and Phoenix New Media Regarding Cooperation in the Fields of Content, Branding, Promotion and Technology” dated November 24, 2009 between Phoenix Satellite Television Holdings Limited and Phoenix Online (Beijing) Information Technology Co., Ltd., Party B has the right to operate the Phoenix Satellite TV Websites (defined below) and Other Websites (defined below), provide Internet information services such as news, entertainment, and business information, as well as computer information services through such websites and transfer information from Phoenix Satellite TV to mobile network clients, and authorize the use of the Phoenix Satellite TV program content by other information network service providers (collectively, “Party B Business”); and
3. Both Parties agree that Party A will provide the program content of Phoenix Satellite TV to Party B, subject to the terms and conditions hereof.

NOW, THEREFORE, upon amicable consultation based on principles of equality, mutual benefit and complementary advantage, the Parties have reached this Agreement as follows:

**ARTICLE ONE DEFINITION**

1.1 Unless otherwise referenced herein, each of the terms used herein shall have the meaning ascribed to it below:

- (i) “Affiliate”, with respect to any Party hereto, shall mean any legal person, non-legal person economic organization, or natural person, which owns a controlling interest in, or which is controlling, controlled by or under common control with, such Party, directly or indirectly.

As used in this Agreement, “control” means the power of any person to direct or cause the direction of management and policies of another party on account of such person’s ownership of equity interest, voting right, the right to appoint directors, by contract or otherwise.

- (ii) “Business Day” shall mean a date on which commercial banks open for business, other than Saturdays, Sundays and public holidays in mainland China.
- (iii) “Intellectual Property Right” shall mean authorship right, proprietary trademark right, patent right, business secret ownership right and other intellectual property right under PRC Law.

- (iv) "Other Websites" shall mean Internet websites whose domain name are licensed by Party A or its Affiliate to Party B and which are operated and managed by Party B upon Party A's approval in writing, other than the Phoenix Satellite TV Websites.
- (v) "Phoenix Satellite TV Websites" shall mean Internet websites which have the domain name of [www.ifeng.com](http://www.ifeng.com), [www.phoenixtv.com](http://www.phoenixtv.com) or [www.phoenixtv.com.cn](http://www.phoenixtv.com.cn).
- (vi) "Program Content", with respect to this Agreement, shall mean all program content set forth in Exhibit 1 to which Party A owns Internet and media copyrights and which are required for Party B Business, including but not limited to programs on news, policy trends, entertainment, business and economic trends.

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- (vii) "Program Content Collection" shall mean the collection of Program Content from Phoenix Satellite TV's Chinese Channel, other professional news media, or other information sources.
- (viii) "PRC Law" shall mean all laws, ordinances, rules, orders, notices, regulations and other regulatory documents having legal binding force, as promulgated from time to time prior to and after the date on which this Agreement becomes effective.
- (iv) "Taxes" shall mean taxes and fees of all kinds, including all taxes collected in China (including by the central PRC government and various local governments) and in any other jurisdiction, including but not limited to all kinds of ownership tax, interest tax, value added tax, stamp tax, and land and property use tax collected or levied on capital, profit, revenue, sales, or any other taxable item; all duties, fees, deductions, withholding tax, withholding income tax, or penalties or other payment in connection with taxes; and the term "Taxes" shall be interpreted accordingly.
- (v) "Third Party", with respect to this Agreement, shall mean any company, enterprise, other economic organization or individual, other than the Parties hereto.

#### ARTICLE TWO BASIC PRINCIPLES OF THE LICENSE

- 2.1 Party B may use the Program Content licensed by Party A only in Party B Business. Without Party A's consent in writing, Party B may not in any way use the Program Content provided by Party A for any purposes other than in connection with Party B Business, nor may Party B permit any third party to use in any way the Program Content licensed by Party A to Party B prior to the publishing of the Program Content on the Phoenix Satellite TV Websites or Other Websites.
- 2.2 The Parties shall provide the services hereunder fairly and reasonably as if they were unaffiliated entities in an arm's-length transaction.
- 2.3 Without Party A's consent, Party B may not enter into with any third party any agreement or cooperation which is identical with or similar to this Agreement.
- 2.4 If other services are required by Party B in Party B Business, Party B shall first provide Party A with the content and requirements of such services in writing. If Party A indicates expressly in writing that it refuses or is unable to provide such services, Party B may turn to third parties for such other services; if, however, Party A agrees to provide such services, then the Parties shall

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negotiate in good faith the content, method and fees of such services.

- 2.5 In the event of any delay, non-performance or partial performance of any obligations hereunder by Party A, Party A shall give Party B prompt notice in writing and make best effort to assist Party B in obtaining identical or similar program content from other channels.
- 2.6 During the course of Party A's provision of the services hereunder, Party B shall provide all assistance reasonably required by Party A.

#### ARTICLE THREE SERVICE SCOPE AND METHOD OF PROVISION

- 3.1 Both Parties agree that Party A shall license the Program Content required in Party B Business to Party B, and Party B shall accept the services provided by Party A, to the extent, at the time or times, and in the manner as agreed to by the Parties herein.
- 3.2 The Program Content to be licensed by Party A to Party B shall be as set forth in Exhibit 1 hereto, as updated from time to time. If the Program Content required by Party B is beyond that listed on Exhibit 1, as updated from time to time, Party B shall send its written request to Party A promptly and the latter shall license the Program Content described in the preceding phrase to Party B to the extent it has power to do so in accordance with this Agreement.
- 3.3 In each May during the term of this Agreement, both Parties shall update and adjust the scope of Program Content listed in Exhibit 1 and the Program Content so adjusted shall be the Program Content to be licensed by Party A to Party B for the period of time from May of such year to the next succeeding May. The then adjusted scope of Program Content shall constitute an exhibit hereto and process equal validity as this Agreement.

#### ARTICLE FOUR SERVICE FEE

- 4.1 The amount of the service fee and its terms of payment shall be as set forth in Attachment 1 to the "Agreement Between Phoenix Satellite TV and Phoenix New Media Regarding Cooperation in the Fields of Content, Branding, Promotion and Technology" dated November 24, 2009 between Phoenix Satellite Television Holdings Limited and Phoenix Online (Beijing) Information Technology Co., Ltd. ("Phoenix Online").

- 4.2 The Parties may enter into a separate agreement and establish specific fee rates in respect of services beyond this Agreement in accordance with the principles set forth herein.

#### ARTICLE FIVE INTELLECTUAL PROPERTY RIGHTS TO THE PROGRAM CONTENT

- 5.1 Both Parties acknowledge and agree that with respect to Program Content licensed to Party B hereunder, Party B shall not have any copyright or any other Intellectual Property Right. If Party B obtains any Intellectual Property Right in respect of the Program Content during its use of the same, Party B shall notify Party A and, upon its request in writing, sign all documents and take all actions required to assign such Intellectual Property Right to Party A, and ensure the Intellectual Property Right so obtained by Party A is legitimate, complete, and free from any encumbrance.
- 5.2 In the event of any legal action taken by Party A to protect any Intellectual Property Right of the Program Content, or any dispute with any third party in connection with any Intellectual Property Right of the Program Content in which Party A is involved (including but not limited to Party A's being the plaintiff/applicant or defendant/respondent in any lawsuit or arbitration), Party B shall provide, at the cost of Party A; all assistance reasonably requested by Party A, provided, however, that if the legal action taken by Party A or the dispute in which Party A is involved is due to or related to Party B's negligence, then the cost of providing such assistance requested by Party A shall be borne by Party B.
- 5.3 If Party B becomes aware of any violation of any Intellectual Property Right to the Program Content provided by Party A to Party B, it shall take all measures reasonably necessary to preserve the evidence of such third party violation, notify Party A of the same as soon as reasonably possible, and take actions reasonably requested by Party A to assist in legal actions taken or claims made by Party A in order to protect its Intellectual Property Right.
- 5.4 If, for causes attributable to Party B, Party A sustains any economic losses as a result of any dispute with any third party over the Program Content provided by Party A, Party B agrees to indemnify Party A for all such losses, which losses shall include only the direct losses and reasonable expenses incurred in resolving such dispute (including reasonable attorney fees).

#### ARTICLE SIX PARTY B'S OBLIGATIONS WITH RESPECT TO CONFIDENTIAL INFORMATION

- 6.1 When providing the Program Content to Party B, Party A may specify the special purpose for which such Program Content shall be used, the extent to which such Program Content shall be transmitted, the time or times at which such Program Content shall be transmitted (including the time at which such Program Content is published on the Phoenix Satellite TV Website or Other

Websites, or the time at which such Program Content is licensed to any third party by Party B), and the manner by which such Program Content shall be transmitted (including the manner by which such Program Content is published on the Phoenix Satellite TV Websites or Other Websites, or the manner in which such Program Content shall be used by the licensed third party). Party B's use of the Program Content shall be in strict compliance with Party A's requirements.

- 6.2 Party B shall keep in confidence Party A's business secrets of which Party B may be aware on account of Party B's receipt from Party A of the license to use the Program Content. Upon the termination of this Agreement, Party B shall return to Party A or destroy any document, material or software containing such business secrets and delete the same from any memory devices.
- 6.3 Party B warrants that it will take all technical methods and confidential measures reasonably available to Party B to ensure that only Party A and certain of Party B personnel designated by Party A may have access to the Program Content licensed by Party A to Party B. Without Party A's permission in writing, Party B may not disclose or sublicense the Program Content to any third party, except for the Program Content related to Party B Business.

#### ARTICLE SEVEN REPRESENTATIONS AND WARRANTIES

- 7.1 Party A represents and warrants that
- 7.1.1 it owns copyrights and other related rights to the Program Content set forth in Exhibit 1 hereto, as updated from time to time;
  - 7.1.2 it has taken all appropriate and necessary corporate actions and other actions, authorized the execution and performance of this Agreement, and obtained all appropriate consents, approvals and authorizations required for the execution and performance of this Agreement; and
  - 7.1.3 its signing and performance of this Agreement will not violate or contradict any of its constitutional documents, laws and regulations applicable to it, or any agreement or contract to which it is a party or by which it is bound.
- 7.2 Party B represents and warrants that
- 7.2.1 it has taken all appropriate and necessary corporate action and other actions, authorized the execution and performance of this Agreement,

and obtained all appropriate consents, approvals and authorizations required for the execution and performance of this Agreement; and

7.2.2 its signing and performance of this Agreement will not violate or contradict any of its constitutional documents, laws and regulations applicable to it, or any agreements or contracts to which it is a party or by which it is bound.

#### ARTICLE EIGHT LIABILITIES FOR BREACH; TERMINATION

8.1 Both Parties agree that any breach of any of the warranties, covenants, or provisions hereof by either Party shall constitute a breach of this Agreement, except under circumstances described in Section 8.2 below. In the event of any breach of this Agreement by any Party hereto, the breaching Party shall indemnify the other Party for all of such other Parties losses arising therefrom, which losses shall include only direct losses, reasonable expenses and reasonable attorney fees.

8.2 In the event that

8.2.1 one Party is in breach of its obligations hereunder and fails to cure such breach within ten (10) Business Days following the other Party's written notice thereof, then the non-breaching Party may terminate this Agreement;

8.2.2 one Party enters into a bankruptcy process, Party B's shareholder or equity structure changes (not including changes to Party B's shareholder or equity structure due to the Exclusive Call Option Agreement and Equity Pledge Agreement dated between Party B, Phoenix Online and other relevant parties), or one Party ceases its business operation, then the other Party may send a written notice of termination to such Party and this Agreement shall terminate as of the date on which such written notice is served to such Party;

8.2.3 one Party's performance of its obligations hereunder is held unlawful under the PRC Law, such Party may send a written notice of termination to the other Party upon the promulgation of the relevant PRC Law;

8.2.4 one Party's performance of its obligations hereunder (including but not limited to such Party's ability to perform this Agreement) is, in the reasonable judgment of the other Party, adversely affected by the occurrence of any event, then the unaffected Party may terminate this Agreement upon notifying the other Party in writing; and

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8.2.5 in exercising its right to terminate this Agreement pursuant to Subsections 8.2.1 to 8.2.4, one Party shall give a written notice of termination to the other Party, without the necessity of obtaining consent from the other Party, and this Agreement shall terminate as of the date on which such written notice is served to the other Party.

8.3 No compensation or indemnification will be required to be made by one Party to the other Party when one Party exercises its right to terminate this Agreement unilaterally pursuant to this Article Eight and no rights or interests of the terminating Party will be adversely affected by the termination of this Agreement.

8.4 Subsection 8.1 shall survive the termination of this Agreement.

#### ARTICLE NINE EFFECTIVENESS

9.1 This Agreement shall become effective on the date on which it is signed and affixed with the corporate seals by the authorized representative of each Party and have a term of five (5) years commencing as of the effective date hereof.

9.2 Upon confirmation by the licensor in writing prior to the expiration of the term hereof, this Agreement may be extended for as long as may be agreed to by both the licensor and licensee through negotiation, provided, however, that the licensee shall not have the right to decide the extension of the term hereof.

#### ARTICLE TEN FORCE MAJEURE

In the event that a Party's performance of this Agreement or any covenants of the Parties is directly affected by an earthquake, typhoon, flood, fire, war, computer virus, design loophole in any software tool, hacker attack on the Internet, amendment to law or policy or any other event of force majeure which is not foreseeable or the result of which is not to be prevented or avoided, such Party shall immediately give the other Party a notice by fax of such event and within thirty days (30) thereafter provide a detailed report thereof as well as a certification document explaining the cause for the non-performance or delayed performance of this Agreement, which certification document shall be issued by the public notary of the region in which the event of force majeure occurred. The Parties shall decide through consultation whether performance of this Agreement, in whole or in part, shall be relieved or delayed to the extent affected by such event. With respect to economic losses sustained by either Party as a result of such event, neither Party shall be liable therefor.

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#### ARTICLE ELEVEN APPLICABLE LAW; DISPUTE RESOLUTION

11.1 The execution, validity, interpretation, enforcement and dispute resolution of this Agreement shall be governed by the PRC Law.

11.2 Any dispute, conflict or claim arising out of or in connection with this Agreement or the performance hereof shall be resolved by the Parties through amicable negotiation, which negotiation shall commence immediately upon notice by one Party to the other of the nature of such dispute, conflict or claim. In the event that such dispute is not resolved within thirty (30) Business Days following such notice, either Party may upon the expiration of the such 30-day notice period submit such dispute to arbitration by the Hong Kong International Arbitration Centre in accordance with the arbitration rules of such centre then in effect. The arbitration shall be conducted in Hong Kong in English and the arbitral award shall be

binding upon both Parties. During the resolution (including the arbitration) of the dispute, the Parties shall continue to perform other portions of this Agreement unaffected by such dispute.

ARTICLE TWELVE TAXES

Both Parties agree that any and all Taxes payable on account of this Agreement or the performance hereof shall be paid by the Party incurring such Taxes.

ARTICLE THIRTEEN MISCELLANEOUS

- 13.1 Party B may not assign its rights and obligations hereunder without Party A's consent in writing and the successors and permitted assigns of the Parties shall be bound by this Agreement.
- 13.2 Failure to exercise or delay in exercising any right, power, or privilege provided by this Agreement shall not be deemed a waiver of such right, power, or privilege and any partial exercise of such right, power or privilege shall not hinder any future exercise of such right, power or privilege.
- 13.3 The rights, power and remedies provided for Party A and Party B herein are cumulative and not exclusive, and shall be in addition to any other rights, power or remedies provided by law, regulation, contract or otherwise now or hereafter in effect.
- 13.4 Any and all notices, approvals, requests, authorizations, instructions or other communications required hereunder (collectively, "Written Documents") shall be made in writing and with a reference to this Agreement. A Written Document shall be deemed duly given by one Party to the other upon personal delivery to the address of the other Party; or on a date which is four (4) business days from the date on which the Written Document is posted through registered or certified mail (postage prepaid and return receipt

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requested), regardless of whether the Written Document is actually received; or on the first business day following the date on which the Written Document is sent by express service (as indicated by the written receipt confirmation); or as indicated on the confirmation report of the fax machine confirming that the Written Document is delivered by fax successfully.

- 13.5 This Agreement shall supersede all other agreements, written or oral, of the Parties regarding the subject matter of this Agreement and constitutes the entire agreement of the Parties concerning such subject matter.
- 13.6 This Agreement shall be signed in two (2) original copies in Chinese, with each of Party A and Party B holding one (1) copy, and both copies shall be equally authentic.

IN WITNESS HEREOF, the Parties have signed this Agreement as of the date first written above.

[Remainder of this page intentionally left blank]

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[signature page]

Party A: Phoenix Satellite Television Company Limited

Authorized Representative: /s/ Keung Chui

Party B: Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Authorized Representative:

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[signature page]

Party A: Phoenix Satellite Television Company Limited

Authorized Representative:

Party B: Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Authorized Representative: /s/ Ming Chen

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Program Content licensed by Party A to Party B:

Phoenix infonews channel  
Stock Market Snapshot  
Current Affairs Debate  
News Talk  
Financial Journal  
News Magnifier \*  
Stock Market Express  
Celebrated China Heritage  
Taiwan Weekly Focus  
Hong Kong Viewpoint  
Journalist On The Spot  
Finance Point To Point  
Mainland Q&A

Phoenix Chinese channel  
Studying Around Greater China with Yang Jinlin  
My Patriotic Heart  
Belle Gourmet  
China Forum  
Phoenix Aerostation  
Mainland Q&A  
Wisdom From The East  
Dialogue With World Leaders  
Tiger Talk  
Premium Spectacular  
China Impression  
Southern China Anecdote  
National Centre For The Performing Arts \*  
Inside Big Cases \*  
Starface \*

A Date With Luyu

Eight-Minute Reading

Entertainment Whirlwind \*

Lawrence Viewpoint

Sisy's News

Peter Qiu's Talk

Shi Ping Financial Insight

Hacker Zhao Shao Kang

Panoramic Eyeshot Of Phoenix \*

Emergent China

Trendy Guide: Cat Walk

Art Of Taste

Secret Documentary

Observation Post Of Military Situation

Social Watch

Head Start In Finance

From Phoenix To The World \*

Newsline

Behind The Headlines With Wentao

\* excluding the music contained in the Program Content, pieces and data authorized by third party to Phoenix Satellite TV and pieces and materials which are not produced by Phoenix Satellite TV itself.

**Schedule of material differences between Program Content Agreements entered into between each of Tianying Jiuzhou and Yifeng Lianhe, respectively, and Phoenix TV**

Material difference	Tianying Jiuzhou agreement	Yifeng Lianhe agreement
Description of Party B's business in preamble	“... operate the Phoenix Satellite TV Website (defined below) and Other Websites (defined below) and provide thereon, provide Internet information services such as news, entertainment, and business information, as well as computer information services through such websites and transfer information from Phoenix Satellite TV to mobile network clients ...”	“...operate an information service business under the 2 <sup>nd</sup> category value added telecommunication business, which service provides information services such as news, entertainment, and business information...”
Article 2.1 of the Basic Principles of License	“... nor may Party B permit any third party to use in any way the Program Content licensed by Party A to Party B prior to the publishing of the Program Content on the Phoenix Satellite TV Website or Other Websites.”	[Does not include such restriction]

April 14, 2011

Tianying Jiuzhou Network Technology Co., Ltd.  
Room 605, Phoenix Hall  
No. 165, Haidian Road  
Haidian District, Beijing  
People's Republic of China

Yifeng Lianhe (Beijing) Technology Co., Ltd.  
Fusheng Building Tower 2, 16<sup>th</sup> Floor  
No. 4, Hui Xin Dong Jie  
Chaoyang District, Beijing  
People's Republic of China

Ladies and Gentlemen:

Reference is made to the to the Program Content License Agreement (凤凰卫视与天映九州网络科技有限公司), dated as of November 24, 2009 between Phoenix Satellite Television Company Limited and Tianying Jiuzhou Network Technology Co., Ltd. (凤凰卫视与天映九州网络科技有限公司)(the "Tianying Content License Agreement") and the Program Content License Agreement (凤凰卫视与艺峰联合(北京)科技有限公司), dated as of November 24, 2009 between Phoenix Satellite Television Company Limited and Yifeng Lianhe (Beijing) Technology Co., Ltd. (凤凰卫视与艺峰联合(北京)科技有限公司) (the "Yifeng Content License Agreement" and, together with the Tianying Content License Agreement, the "Content License Agreements"). As referenced herein, "Licensor" shall mean Phoenix Satellite Television Company Limited and "Licensees" shall mean Tianying Jiuzhou Network Technology Co., Ltd. and Yifeng Lianhe (Beijing) Technology Co., Ltd., collectively.

Pursuant to Section 9.2 of each of the Content License Agreements, the Content License Agreements may be extended upon confirmation by the Licensor in writing prior to the expiration of their respective terms for as long as may be agreed by the Licensor and each of the respective Licensees through negotiation, provided, however, that the Licensees shall not have the right to decide the extension of the terms thereof.

By execution below, the Licensor confirms that it has reached an agreement with each of the Licensees through negotiation and accordingly, the terms of each of the Tianying Content License Agreement and the Yifeng Content License Agreement shall be extended to March 27, 2016.

This confirmation letter shall be governed by and shall be construed and enforced in accordance with the laws of the People's Republic of China.

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[Signature Page Follows]

[Signature Page to Content License Agreements Confirmation Letter]

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PHOENIX SATELLITE TELEVISION COMPANY LIMITED

By: /s/ Keung Chui  
Name: Keung Chui  
Title: Director

[Signature Page to Content License Agreements Confirmation Letter]

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TIANYING JIUZHOU NETWORK TECHNOLOGY CO., LTD.

By: /s/ Qianli Liu  
Name: Qianli Liu  
Title:

YIFENG LIANHE (BEIJING) TECHNOLOGY CO., LTD.

By: /s/ Qianli Liu  
Name: Qianli Liu  
Title:

[Signature Page to Content License Agreements Confirmation Letter]



**Trademark License Agreement**

**between**

**Phoenix Satellite Television Trademark Limited**

**and**

**Beijing Tianying Jiuzhou Network Technology Co., Ltd.**

**November 24, 2009**

**Trademark License Agreement**

This Trademark License Agreement (this "Agreement") is entered into by the following two Parties on November 24, 2009 in Beijing, the People's Republic of China ("China"):

- (1) Phoenix Satellite Television Trademark Limited ("Licensor")  
Registered Address: P O Box 957, Offshore Incorporations Center, Road Town,  
Tortola, British Virgin Islands  
Legal Representative: Cui Qiang

and

- (2) Beijing Tianying Jiuzhou Network Technology Co., Ltd. ("Licensee")  
Address: Information Building, 5<sup>th</sup> Floor, No. 12 Zhongguancun South Street,  
Haidian District, Beijing 100081 China  
Legal Representative: Qiao Hai Yan

Licensor and Licensee are referred to individually as a "Party" and collectively as "Parties".

Recital

WHEREAS, Licensor is a foreign enterprise duly established and validly existing in the British Virgin Islands and owns the right to license the registered trademarks in China as set forth in Exhibit 1 hereto;

WHEREAS, Licensee is a limited liability company duly registered and validly existing in Beijing, China, its main business being the provision of Internet information services; and

WHEREAS, subject to the terms and conditions hereof, Licensor agrees to grant and Licensee agrees to accept a license to use the abovementioned registered trademarks.

NOW, THEREFORE, the Parties have agreed as follows through amicable consultation:

ARTICLE ONE DEFINITION

1.1 Unless interpreted otherwise pursuant to the terms or context herein, each of the terms used herein shall have the meaning ascribed to it below:

"Breach" shall have the meaning ascribed to it in Section 13.1 hereof.

"Breaching Party" shall have the meaning ascribed to it in Section 13.1 hereof.

"Confidential Information" shall have the meaning ascribed to it in Section 6.1 hereof.

"Licensee Business" shall mean all Internet service businesses that are and will be conducted and developed by Licensee at any time during the term of this Agreement.

"License Fee" shall mean all fees payable by Licensee to Licensor in accordance with Article Three hereof in connection with the trademark license granted and other services provided by Licensor.

“Non-breaching Party” shall have the meaning ascribed to it in Section 13.1 hereof.

“Rights” shall have the meaning ascribed to it in Section 16.5 hereof.

1.2 Any reference herein to any law and regulation (collectively, “Law”) shall be deemed:

1.2.1 to include amendments, revisions, additions and updates to such Law, whether enacted prior to or after the execution of this Agreement; and

1.2.2 to include other decisions, notices and rules promulgated or enacted in accordance with the provisions of such Law.

1.3 Unless otherwise stated herein, references to articles, sections, subsections and paragraphs herein shall mean Articles, Sections, Subsections and Paragraphs of this Agreement.

## ARTICLE TWO GRANT OF LICENSE

2.1 Subject to the terms and conditions hereof, Licensor agrees to grant Licensee a license to use all registered trademarks as set forth in Exhibit 1 hereto, so that Licensee may use the graphics, words, signs and visible images of such trademarks, in whole or in part (collectively, “Trademarks”). The license granted hereunder shall be non-exclusive.

2.2 The Parties agree that the scope of the license granted hereunder shall be as follows:

2.2.1 The right to use the Trademarks granted to Licensee hereunder is

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applicable only to the extent the Trademarks are used in Licensee’s Internet service business, and any use of such Trademarks shall be limited to the registered purpose of such Trademarks as set forth in Exhibit 1 hereof. Licensee hereby agrees that it may not use or permit any third party to use, directly or indirectly, the Trademarks for any other purposes without Licensor’s consent in writing.

2.2.2 The license granted by Licensor to Licensee hereunder is valid only in mainland China (excluding Hong Kong, Macao, and Taiwan). Licensee agrees that it may not use or permit any third party to use, directly or indirectly, the Trademark in any other territory.

2.3 Licensor hereby acknowledges that Licensee’s authorization regarding the use of certain trademarks of Phoenix Satellite TV by China Mobile Communication Corporation (“China Mobile”) and a relevant third party (namely, Aspire Information Technologies (Beijing) Ltd.), pursuant to the Cooperation Agreement between Licensee and China Mobile dated December 12, 2008, is valid; provided, however, that Licensee shall ensure that under no circumstances will such authorization exceed the scope provided for in this Section 2.2.

2.4 A registration application for each of the Trademarks set forth in Exhibit 1 has been filed by Licensor’s agent with the Trademark Office of the State Administration for Industry & Commerce of the People’s Republic of China on the respective application date of such Trademark, which application is still in the examination and approval process as of the date hereof. Both Parties agree that the grant of licenses in respect of such Trademarks pending registration shall be subject to the Trademark Office’s approval for the registration of such Trademarks, that the foregoing licenses shall become effective as of the respective dates on which the relevant Trademarks are approved for registration, and that the scope of such licenses shall be subject to the scope of goods or services as set forth in the relevant Trademark Registration Certificates.

## ARTICLE THREE LICENSE FEE

3.1 In consideration of the license granted by Licensor pursuant to Article Two hereof, Licensee agrees to pay Licensor a license fee in the amount of US\$7,000 each year pursuant to this Article Three (“License Fee”).

3.2 Licensor may at its own discretion waive the License Fee payable by Licensee.

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## ARTICLE FOUR USE LIMITATION

4.1 In using the Trademarks licensed by Licensor, Licensee shall comply with all applicable Laws and regulations and obtain all appropriate government approvals required for all activities in connection with the licensed Trademarks. In addition, Licensee shall maintain the highest quality standards in its business operation so as to ensure that Licensor’s Trademarks and brand will not be adversely affected by Licensee’s use of the same.

4.2 The right to use the Trademarks granted by Licensor to Licensee hereunder can be exercised only during the term hereof and only in the territory in which such right is granted. In addition, with respect to any specific licensed Trademark, Licensee may use such Trademark only for such goods or services as set forth in the Trademark Registration Certificate of such Trademark and not for any other goods or services. Licensee may not use, directly or indirectly, the Trademarks at any other time, in any other territory, or in any other manner.

4.3 Licensee agrees that its use of the right granted by Licensor shall be in strict compliance with the terms and conditions of this Agreement and that in no event may Licensee’s use of any right granted by Licensor be in a manner which, in Licensor’s opinion, is deceptive, misleading or harmful to Licensor’s interest.

4.4 Licensee shall present to Licensor for its approval, samples of any product, packaging, label, advertisement or other materials bearing the licensed Trademarks and must make revisions at Licensor’s instruction, if any.

- 4.5 Licensor shall have the right to supervise any use of the licensed Trademarks by Licensee and to demand that any activity of Licensee which is deemed by Licensor as being harmful to Licensor's business, reputation or Licensor's goodwill associated with the licensed Trademarks be stopped, and Licensee agrees to comply promptly with all instructions and demands of Licensor in this regard.
- 4.6 During the term of this Agreement, Licensor or its duly authorized representative shall have the right to examine the manner and materials adopted by Licensee in its use of the licensed Trademarks and determine whether Licensee's business activities are in compliance with the provisions hereof. The cost incurred by each Party in connection with such examination shall be borne by each Party itself.
- 4.7 If, for any reason, this Agreement or the right granted hereunder is terminated, Licensee's right to use the licensed Trademarks shall become null and void immediately, and Licensee warrants that it will (i) not, without Licensor's prior consent in writing, register or use any licensed Trademark or any service

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mark, name, logo, word, packaging form, color, design or pattern similar to any licensed Trademark at any time following the termination of this Agreement; (ii) not, without Licensor's prior consent in writing, register or use any licensed Trademark as Licensee's enterprise name or a portion thereof in any province, municipality of China and in any other territory outside of China at any time following the termination of this Agreement; and (iii) turn over to Licensor or its designated representative all items in Licensee's possession that relate to or bear the licensed Trademarks, or change the items that bear the licensed Trademarks to the extent that they no longer bear such Trademarks. This provision shall survive the termination of this Agreement.

#### ARTICLE FIVE REGISTRATION OF THE TRADEMARK LICENSE

- 5.1 Within three (3) months of the date hereof, the Parties shall submit a copy of this Agreement to the Administration for Industry and Commerce agency of the area in which Licensor is located for such administration's record and examination in accordance with the Trademark Law of the People's Republic of China. In addition, Licensor shall file this Agreement or any other document or documents designated by Licensor with the Trademark Office for registration, the cost of which shall be borne by Licensee.
- 5.2 Both Parties agree that for the purpose of the abovementioned registration, this Agreement may be amended or a new trademark license agreement may be entered into to replace this Agreement, provided that the original intent of the relevant provisions herein is not contradicted; provided, further, that Licensor may immediately terminate this Agreement unilaterally if limitations or conditions unacceptable to Licensor are imposed for the purpose of such registration or if such registration is refused, suspended or canceled.
- 5.3 In the event of early termination of this Agreement, the Parties shall promptly notify the Administration for Industry and Commerce agency of the area in which Licensor is located and Licensor shall notify the Trademark Office and undertake the relevant procedures as required by such Office.

#### ARTICLE SIX CONFIDENTIALITY OBLIGATION

- 6.1 Licensee shall keep in confidence Licensor's confidential materials and information ("Confidential Information") of which Licensee may be aware or to which Licensee may have access on account of the aforementioned Trademark license received by Licensee. Upon the termination of this Agreement and at Licensor's request, Licensee shall return to Licensor or destroy any document, material or software containing such Confidential Information, delete the same from any memory devices, and may not continue to use such Confidential Information. Without Licensor's permission in

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writing, Licensee may not divulge, convey or transfer such Confidential Information to any third party.

- 6.2 Both Parties agree that this Section 6.1 shall survive the amendment, cancelation or termination of this Agreement.
- 6.3 Confidential Information shall not include any information which
- 6.3.1 was already previously known by Licensee as indicated by written evidence;
- 6.3.2 has entered into the public domain through no fault of Licensee or become known by the general public for any other reasons; or
- 6.3.3 is hereafter lawfully obtained by Licensee through other channels.
- 6.4 Recipient may disclose Confidential Information on a need-to-know basis to its employees or agents or to professional personnel that it engages; provided, however, that such individuals shall also be bound by this Agreement, maintain the confidentiality of the Confidential Information, and use the Confidential Information solely for the purpose of carrying out this Agreement.

#### ARTICLE SEVEN REPRESENTATIONS AND WARRANTIES

- 7.1 Licensor hereby represents and warrants that
- 7.1.1 it is a limited liability company duly registered and validly existing under the laws of the jurisdiction in which it is registered, has independent legal person qualification and the complete and independent legal status and capacity required to sign, deliver and perform under this Agreement, and may act as an independent litigation subject;



- 7.1.2 it has full internal corporate power and authorization to sign and deliver this Agreement as well as all other documents to be signed by it in connection with the transaction anticipated herein and it has full power and authorization to consummate the transactions anticipated herein; this Agreement is duly and appropriately signed and delivered by it and constitutes its lawful, valid and binding obligations, enforceable in accordance with its terms; and
- 7.1.3 it owns the right to license the registered Trademarks hereunder.

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7.2 Licensee represents and warrants that

- 7.2.1 it is a limited liability company duly registered and validly existing under the laws of the jurisdiction in which it is registered, has independent legal person qualification and the complete and independent legal status and capacity required to sign, deliver and perform under this Agreement, and may act as an independent litigation subject;
- 7.2.2 it has full internal corporate power and authorization to sign and deliver this Agreement as well as all other documents to be signed by it in connection with the transaction anticipated herein and it has full power and authorization to consummate the transactions anticipated herein; this Agreement is duly and appropriately signed and delivered by it and constitutes its lawful, valid and binding obligations, enforceable in accordance with its terms;
- 7.2.3 it has and will have, at the time this Agreement becomes effective and thereafter, all business certificates and licenses required to conduct its business and full rights and qualification to conduct an Internet services business within China as well as other business as is now conducted by Licensee; and
- 7.2.4 it will promptly advise Licensor of any lawsuit in which it is involved and other adverse conditions and make its best effort to mitigate losses.

ARTICLE EIGHT LICENSOR'S RIGHT OF LICENSE; PROTECTION

- 8.1 Licensee agrees that during the term hereof and thereafter, Licensee may not contest Licensor's right to use, license and dispose in any other manner the Trademarks, or the validity of this Agreement, nor may Licensee take any action which is deemed by Licensor as jeopardizing such right or license.
- 8.2 Licensee agrees to provide to Licensor all assistance required to protect Licensor's right to the Trademarks. In the event of any claim by any third party against the Trademarks, Licensor may, at its own discretion, defend any lawsuit arising out of such claim on behalf of Licensor itself, Licensee or both Parties hereto. In the event of any infringement upon Trademarks by any third party, Licensee shall promptly notify Licensor in writing of the same to the extent of Licensee's knowledge; provided, however, that only Licensor shall have the right to decide whether or not to take any action against such infringement.

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- 8.3 Licensee agrees that its use of the Trademarks shall be in strict compliance with the terms and conditions of this Agreement. In no event may Licensee's use of the Trademarks be in a manner which, in Licensor's opinion, is deceptive, misleading or harmful to the Trademarks or Licensor's reputation.

ARTICLE NINE QUALITY; PROMOTION

- 9.1 Licensee shall maintain the highest standard of quality in its business operation so as to protect and enhance the reputation represented by the Trademarks.
- 9.2 In the event that Licensee needs to use any promotional materials in connection with the Trademarks, the cost of producing such promotional materials shall be borne by Licensee. Any and all copyrights and other intellectual property rights in the promotional materials referencing the Trademarks hereunder shall be vested solely and exclusively in Licensor, regardless of the invention of such promotional materials by either Licensor or Licensee. Licensee agrees that without Licensor's prior approval in writing, Licensee may not promote or advertise the registered Trademarks on any radio, TV, newspaper, magazine, Internet, or any other media.

ARTICLE TEN TERM

- 10.1 Both Parties hereby acknowledge that this Agreement shall become effective on the date on which it is duly signed by the Parties and have a term of five (5) years commencing as of the effective date hereof. Unless earlier terminated as agreed to by the Parties in writing or extended pursuant to Section 10.2 hereof, this Agreement shall terminate on the earlier of the expiration date of this Agreement or the date on which Licensor's right to license the registered Trademarks set forth in Exhibit 1 hereto is terminated.
- 10.2 Upon confirmation by Licensor in writing prior to the expiration of the term hereof, this Agreement may be extended for as long as may be agreed to by both Licensor and Licensee through negotiation; provided, however, that Licensee shall not have the right to decide the extension of the term hereof.
- 10.3 Upon the termination of this Agreement, both Parties shall continue to perform their obligations under Articles Three and Six hereof.

ARTICLE ELEVEN INDEMNIFICATION

Licensee shall indemnify Licensor and hold it free and harmless against all losses actually sustained by Licensor in granting the license hereunder, including but not limited to any and all losses arising out of any lawsuit, recovery, arbitration or claim

brought forth by any third party or any administrative investigation or penalty, except where such losses are caused by Licensor's willful misconduct or gross default.

ARTICLE TWELVE NOTICE

- 12.1 Any and all notices, requests, instructions or other communications required to be made by one Party to the other hereunder shall be made in writing.
- 12.2 The foregoing notice or other communication shall be deemed duly given upon its delivery by fax or telex or personal delivery or five (5) days following its delivery by mail.

ARTICLE THIRTEEN LIABILITIES FOR BREACH

- 13.1 Both Parties agree and acknowledge that a substantial breach of any covenant or failure to substantially perform any obligation hereunder by either Party (the "Breaching Party") shall constitute a breach of this Agreement ("Breach"), and the non-breaching Party (the "Non-breaching Party") shall have the right to demand rectification or remedy by the Breaching Party within a reasonable period of time. If the Breaching Party fails to rectify the Breach or to take remedial measures within such reasonable period of time or ten (10) days following the Non-breaching Party's written notice and demand for rectification thereof, then, in the case of any Breach by Licensee, the Non-breaching Party has the right, at its own discretion, to (i) terminate this Agreement and demand indemnification by the Breaching Party for all damages, or (ii) ask the Breaching Party to continue performing its obligations hereunder and indemnify the Non-breaching Party for all its damages; or, in the case of any Breach by Licensor, the Non-breaching Party may ask the Breaching Party to continue performing its obligations hereunder and indemnify the Non-breaching Party for all its damages.
- 13.2 Both Parties agree and acknowledge that under no circumstances may Licensee terminate this Agreement on any ground, unless otherwise provided for by Law or this Agreement.
- 13.3 Notwithstanding any other provisions herein, the validity of this Article Thirteen shall survive the suspension or termination of this Agreement.

ARTICLE FOURTEEN FORCE MAJEURE

In the event that a Party's performance of this Agreement or any other covenants of the Parties is directly affected by an earthquake, typhoon, flood, fire, war, computer virus, design loophole in any software tool, hacker attack on the Internet, amendment to law or policy or any other event of force majeure which is not foreseeable or the result of

which is not to be prevented or avoided, such Party shall immediately give the other Licensor notice by fax of such event and within thirty days (30) thereafter provide a detailed report thereof as well as a certification document explaining the cause for the non-performance or delayed performance of this Agreement, which certification document shall be issued by the public notary of the region in which the event of force majeure occurred. The Parties shall decide through consultation whether performance of this Agreement, in whole or in part, shall be relieved or delayed to the extent affected by such event. With respect to economic losses sustained by either Licensor as a result of such event, neither Party shall be liable.

ARTICLE FIFTEEN REASSIGN; SUBLICENSE

Without Licensor's consent in writing, this Agreement, the rights granted by Licensor and Licensee's obligations hereunder, may not be assigned, leased, pledged or sublicensed to any third party, nor may Licensee in any other way assign any of its economic interest or any of its rights obtained by reason of this Agreement to any third party.

ARTICLE SIXTEEN MISCELLANEOUS

- 16.1 This Agreement is made in Chinese in two (2) original copies, with each Party holding one (1) copy.
- 16.2 The execution, effectiveness, performance, amendment, interpretation and termination of this Agreement shall be governed by the laws of the People's Republic of China.
- 16.3 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through negotiation. In the event that the Parties cannot reach an agreement within thirty (30) days following the occurrence of such dispute, the dispute shall be submitted to arbitration by the Hong Kong International Arbitration Centre in accordance with the arbitration rules of such centre then in effect. The arbitration shall be conducted in Hong Kong in English and the arbitral award shall be final and binding upon both Parties.
- 16.4 The rights, power and remedies conferred upon either Party herein shall not exclude any other rights, powers or remedies to which such Party is entitled under law, regulations, and other provisions herein, and the exercise by one Party of its right, powers, or remedies shall not hinder its exercise of any other right, powers, or remedies.
- 16.5 Failure to exercise or delay in exercising any right, power, or remedy under this Agreement or law (collectively, the "Rights") shall not be deemed a waiver of the Rights, and any single or partial exercise of the Rights shall not

exclude the exercise of the Rights in any other manner or the exercise of any other rights.

- 16.6 Headings herein are inserted for ease of reference only. In no event may such headings be used to interpret or affect the interpretation of the provisions herein.
- 16.7 This Agreement shall supersede all other agreements, written or oral, of the Parties regarding the subject matter of this Agreement and constitute the entire agreement of the Parties concerning such subject matter.
- 16.8 All provisions herein are separable and independent of any other provisions. If one or more provisions hereof are held invalid, unlawful or unenforceable at any time, the validity, lawfulness and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.
- 16.9 Amendments or additions to this Agreement shall be made in writing and may not become effective unless and until duly executed by the Parties.
- 16.10 This Agreement shall have binding force on the lawful assigns of both Parties.
- 16.11 Both Parties warrant that they will report and pay their respective taxes arising out of transaction anticipated herein in accordance with law.

[Remainder of this page intentionally left blank]

[signature page]

IN WITNESS HEREOF, the Parties have signed this Agreement as of the date and in the place first written above.

Licensor: Phoenix Satellite Television Trademark Limited (seal)

By: /s/ Keung Chui  
Name: Keung Chui  
Title: Authorized Representative:

Licensee: Beijing Tianying Jiuzhou Network Technology Co., Ltd. (seal)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Authorized Representative:

[signature page]

IN WITNESS HEREOF, the Parties have signed this Agreement as of the date and in the place first written above.

Licensor: Phoenix Satellite Television Trademark Limited (seal)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Authorized Representative:




Licensee: Beijing Tianying Jiuzhou Network Technology Co., Ltd. (seal)

By: /s/ Ming Chen  
Name: Ming Chen  
Title: Authorized Representative:







EXHIBIT 1

List of Trademarks




I. Trademark Registration Certificate

No.	Trademark	Trademark Logo	Country	Class	Proprietor	Reg. No.	Expiration Date
1	凤凰卫视	Phoenix Chi Word Logo	China	38	Phoenix Satellite Television Trademark Limited	1097565	2017.9.6
2	鳳凰衛視	Phoenix Chi Word Logo	China	38	Phoenix Satellite Television Trademark Limited	1085971	2017.8.20
3		Phoenix InfoNews Logo	China	38	Phoenix Satellite Television Trademark Limited	1959047	2013.2.13
4		Phoenix Movie Logo	China	38	Phoenix Satellite Television Trademark Limited	1987948	2012.12.13
5		Phoenix Network Logo	China	9	Phoenix Satellite Television Trademark Limited	3139875	2013.5.27

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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Reg. No.	Expiration Date
6		Phoenix Network Logo	China	16	Phoenix Satellite Television Trademark Limited	3139874	2017.8.27
7		Phoenix Network Logo	China	28	Phoenix Satellite Television Trademark Limited	3139873	2014.2.20
8		Phoenix Network Logo	China	35	Phoenix Satellite Television Trademark Limited	3139872	2013.8.6
9		Phoenix Network Logo	China	37	Phoenix Satellite Television Trademark Limited	3139871	2014.2.13
10		Phoenix Network Logo	China	38	Phoenix Satellite Television Trademark Limited	1097572	2017.9.6
11		Phoenix Network Logo	China	39	Phoenix Satellite Television Trademark Limited	3139870	2013.6.27

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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Reg. No.	Expiration Date
12		Phoenix Network Logo	China	41	Phoenix Satellite Television Trademark Limited	3139869	2013.8.20
13		Phoenix Network Logo	China	42	Phoenix Satellite Television Trademark Limited	3139868	2013.9.6
14		Phoenix Network Logo	China	41	Phoenix Satellite Television Trademark Limited	3300821	2013.12.20

No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
1	□□□□□□□□	Miss Chinese Cosmos - Chi Word Logo	China	38	Phoenix Satellite Television Trademark Limited	5452238	2006.6.30
2	□□□□□□□□	Miss Chinese Cosmos - Chi Word Logo	China	41	Phoenix Satellite Television Trademark Limited	5452239	2006.6.30
3	MISS CHINESE COSMOS PAGEANT	Miss Chinese Cosmos - Eng Word Logo	China	38	Phoenix Satellite Television Trademark Limited	5452240	2006.6.30








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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
4	MISS CHINESE COSMOS PAGEANT	Miss Chinese Cosmos - Eng Word Logo	China	41	Phoenix Satellite Television Trademark Limited	5452241	2006.6.30
5		Miss Chinese Cosmos - Lady Logo	China	38	Phoenix Satellite Television Trademark Limited	5452242	2006.6.30
6		Miss Chinese Cosmos - Lady Logo	China	41	Phoenix Satellite Television Trademark Limited	5452243	2006.6.30
7	中華小姐環球大賽	Miss Chinese Cosmos - Word & Logo	China	38	Phoenix Satellite Television Trademark Limited	5452244	2006.6.30
8	中華小姐環球大賽	Miss Chinese Cosmos - Word & Logo	China	41	Phoenix Satellite Television Trademark Limited	5452245	2006.6.30
9	鳳凰卫视	Phoenix Chi Word Logo	China	41	Phoenix Satellite Television Trademark Limited	5614889	2006.9.18
10		Phoenix Movie (New) Chi Logo	China	38	Phoenix Satellite Television Trademark Limited	6645330	2008.4.8








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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
11		Phoenix Movie (New) Chi Logo	China	41	Phoenix Satellite Television Trademark Limited	6645449	2008.4.8
12		Phoenix Movie (New) Eng Logo	China	38	Phoenix Satellite Television Trademark Limited	6645332	2008.4.8
13		Phoenix Movie (New) Eng Logo	China	41	Phoenix Satellite Television Trademark Limited	6645331	2008.4.8
14		Phoenix Network Logo	China	41	Phoenix Satellite Television Trademark Limited	5614891	2006.9.18
15	 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	1	Phoenix Satellite Television Trademark Limited	5892215	2007.2.5
16	 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	2	Phoenix Satellite Television Trademark Limited	5892214	2007.2.5




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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
17	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	3	Phoenix Satellite Television Trademark Limited	5892213	2007.2.5
18	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	4	Phoenix Satellite Television Trademark Limited	5892212	2007.2.5
19	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	5	Phoenix Satellite Television Trademark Limited	5892211	2007.2.5
20	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	6	Phoenix Satellite Television Trademark Limited	5892210	2007.2.5
21	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	7	Phoenix Satellite Television Trademark Limited	5892209	2007.2.5
22	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	8	Phoenix Satellite Television Trademark Limited	5892208	2007.2.5
23	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	10	Phoenix Satellite Television Trademark Limited	5892207	2007.2.5

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
No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
24	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	11	Phoenix Satellite Television Trademark Limited	5892206	2007.2.5
25	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	12	Phoenix Satellite Television Trademark Limited	5892205	2007.2.5
26	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	13	Phoenix Satellite Television Trademark Limited	5892204	2007.2.5
27	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	14	Phoenix Satellite Television Trademark Limited	5892203	2007.2.5
28	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	15	Phoenix Satellite Television Trademark Limited	5892202	2007.2.5
29	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	17	Phoenix Satellite Television Trademark Limited	5892201	2007.2.5
30	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	18	Phoenix Satellite Television Trademark Limited	5892225	2007.2.5

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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
31	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	19	Phoenix Satellite Television Trademark Limited	5892224	2007.2.5
32	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	20	Phoenix Satellite Television Trademark Limited	5892223	2007.2.5
33	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	21	Phoenix Satellite Television Trademark Limited	5892222	2007.2.5

	 凤凰卫视 PHOENIX SATELLITE						
34	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	22	Phoenix Satellite Television Trademark Limited	5892221	2007.2.5
35	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	23	Phoenix Satellite Television Trademark Limited	5892190	2007.2.5
36	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	24	Phoenix Satellite Television Trademark Limited	5892189	2007.2.5
37	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	25	Phoenix Satellite Television Trademark Limited	5892188	2007.2.5

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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
38	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	26	Phoenix Satellite Television Trademark Limited	5892187	2007.2.5
39	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	27	Phoenix Satellite Television Trademark Limited	5892186	2007.2.5
40	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	29	Phoenix Satellite Television Trademark Limited	5892185	2007.2.5
41	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	30	Phoenix Satellite Television Trademark Limited	5892184	2007.2.5
42	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	31	Phoenix Satellite Television Trademark Limited	5892183	2007.2.5
43	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	32	Phoenix Satellite Television Trademark Limited	5892182	2007.2.5
44	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	33	Phoenix Satellite Television Trademark Limited	5892181	2007.2.5

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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
45	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	34	Phoenix Satellite Television Trademark Limited	5892200	2007.2.5
46	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	36	Phoenix Satellite Television Trademark Limited	5892199	2007.2.5
47	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	40	Phoenix Satellite Television Trademark Limited	5892198	2007.2.5
48	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	44	Phoenix Satellite Television Trademark Limited	5892197	2007.2.5
49	 凤凰卫视 PHOENIX SATELLITE	Phoenix Network Logo & Chi/Eng Word	China	45	Phoenix Satellite Television Trademark Limited	5892196	2007.2.5
50		Phoenix New Media	China	9	Phoenix Satellite Television	6882738	2008.8.5



51		Phoenix New Media	China	16	Phoenix Satellite Television Trademark Limited	6882737	2008.8.5
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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
52		Phoenix New Media	China	35	Phoenix Satellite Television Trademark Limited	6882736	2008.8.5
53		Phoenix New Media	China	38	Phoenix Satellite Television Trademark Limited	6882755	2008.8.5
54		Phoenix New Media	China	41	Phoenix Satellite Television Trademark Limited	6882754	2008.8.5
55		Phoenix New Media	China	42	Phoenix Satellite Television Trademark Limited	6882753	2008.8.5
56		ifeng.com	China	9	Phoenix Satellite Television Trademark Limited	6882744	2008.8.5
57		ifeng.com	China	16	Phoenix Satellite Television Trademark Limited	6882743	2008.8.5

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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
58		ifeng.com	China	35	Phoenix Satellite Television Trademark Limited	6882742	2008.8.5
59		ifeng.com	China	38	Phoenix Satellite Television Trademark Limited	6882741	2008.8.5
60		ifeng.com	China	41	Phoenix Satellite Television Trademark Limited	6882740	2008.8.5
61		ifeng.com	China	42	Phoenix Satellite Television Trademark Limited	6882739	2008.8.5
62	<b>ifeng</b>	ifeng	China	9	Phoenix Satellite Television Trademark Limited	6882730	2008.8.5
63	<b>ifeng</b>	ifeng	China	16	Phoenix Satellite Television Trademark Limited	6882729	2008.8.5
64	<b>ifeng</b>	ifeng	China	35	Phoenix Satellite Television Trademark Limited	6882728	2008.8.5

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No.	Trademark	Trademark Logo	Country	Class	Proprietor	Application No.	Application Date
65	<b>ifeng</b>	ifeng	China	38	Phoenix Satellite Television Trademark Limited	6882727	2008.8.5
66	<b>ifeng</b>	ifeng	China	41	Phoenix Satellite Television Trademark Limited	6882726	2008.8.5
67	<b>ifeng</b>	ifeng	China	42	Phoenix Satellite Television Trademark Limited	6882745	2008.8.5





**Schedule of material differences between the Trademark License Agreements entered into between each of Tianying Jiuzhou and Yifeng Lianhe, respectively, and Phoenix Satellite Television Trademark Limited**

<b>Material difference</b>	<b>Tianying Jiuzhou agreement</b>	<b>Yifeng Lianhe agreement</b>
Article 2.3	“Licensor hereby acknowledges that Licensee’s authorization regarding the use of certain trademarks of Phoenix Satellite TV by China Mobile Communication Corporation (“China Mobile”) and a relevant third party (namely, Aspire Information Technologies (Beijing) Ltd.), pursuant to the Cooperation Agreement between Licensee and China Mobile dated December 12, 2008, is valid; provided, however, that Licensee shall ensure that under no circumstances will such authorization exceed the scope provided for in this Section 2.2.”	[Does not contain such provision]
Article 7.2.3	“... to conduct the Internet service business within China ...”	“... to conduct the information service under the 2 <sup>nd</sup> category value added telecommunications business within China ...”

April 14, 2011

Tianying Jiuzhou Network Technology Co., Ltd.  
Room 605, Phoenix Hall  
No. 165, Haidian Road  
Haidian District, Beijing  
People's Republic of China

Yifeng Lianhe (Beijing) Technology Co., Ltd.  
Fusheng Building Tower 2, 16<sup>th</sup> Floor  
No. 4, Hui Xin Dong Jie  
Chaoyang District, Beijing  
People's Republic of China

Ladies and Gentlemen:

Reference is made to the to the Trademark License Agreement (凤凰卫视), dated as of November 24, 2009 between Phoenix Satellite Television Trademark Limited and Tianying Jiuzhou Network Technology Co., Ltd. (天映九州网络科技)(the "Tianying Trademark License Agreement") and the Trademark License Agreement (凤凰卫视), dated as of November 24, 2009 between Phoenix Satellite Television Trademark Limited and Yifeng Lianhe (Beijing) Technology Co., Ltd. (联合方圆)(the "Yifeng Trademark License Agreement") and, together with the Tianying Trademark License Agreement, the "Trademark License Agreements". As referenced herein, "Licensor" shall mean Phoenix Satellite Television Trademark Limited and "Licensees" shall mean Tianying Jiuzhou Network Technology Co., Ltd. and Yifeng Lianhe (Beijing) Technology Co., Ltd., collectively.

Pursuant to Section 10.2 of each of the Trademark License Agreements, the Trademark License Agreements may be extended upon confirmation by the Licensor in writing prior to the expiration of their respective terms for as long as may be agreed by the Licensor and each of the respective Licensees through negotiation, provided, however, that the Licensees shall not have the right to decide the extension of the terms thereof.

By execution below, the Licensor confirms that it has reached an agreement with each of the Licensees through negotiation and accordingly, the terms of each of the Tianying Trademark License Agreement and the Yifeng Trademark License Agreement shall be extended to March 27, 2016.

This confirmation letter shall be governed by and shall be construed and enforced in accordance with the laws of the People's Republic of China.

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[Signature Page Follows]

[Signature Page to Trademark License Agreements Confirmation Letter]

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PHOENIX SATELLITE TELEVISION TRADEMARK LIMITED

By: /s/ Keung Chui  
Name: Keung Chui  
Title: Director

[Signature Page to Trademark License Agreements Confirmation Letter]

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TIANYING JIUZHOU NETWORK TECHNOLOGY CO., LTD.

By: /s/ Qianli Liu  
Name: Qianli Liu  
Title:

YIFENG LIANHE (BEIJING) TECHNOLOGY CO., LTD.

By: /s/ Qianli Liu  
Name: Qianli Liu  
Title:

[Signature Page to Trademark License Agreements Confirmation Letter]



Memorandum of Loan Agreement

This Agreement is signed by the following two Parties on January 3, 2011:

Party A: Phoenix Satellite Television Co., Ltd. ("Party A"), a company registered in Hong Kong.

Address:

Party B: Phoenix Satellite Television Information Limited ("Party B"), a company registered in the British Virgin Islands.

Address: P O Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands.

Whereas:

- (1) In light of its business development, Party B intends to purchase a promissory note in the total amount of Five Million United States Dollars (US\$5,000,000) from its subsidiary PHOENIXi Investment Limited.
- (2) Party A wishes to advance a loan to Party B to assist its business development, which loan was transmitted through wire transfer to a bank account designated by Party B on November 29, 2000.
- (3) The Parties have entered into this Memorandum so as to keep a record of the terms and conditions of such loan.

In connection with the foregoing loan, both Parties confirm as follows:

- 1. Party A has wire transferred Five Million United States Dollars (US\$5,000,000) to a bank account designated by Party B on November 29, 2000 to enable Party B to purchase a promissory note in the total amount of Five Million United States Dollars (US\$5,000,000) from its subsidiary PHOENIXi Investment Limited.
- 2. Party B shall, at Party A's request, repay such loan without interest.
- 3. No mortgage of any kind is placed on such loan.
- 4. This Agreement shall terminate on the date on which such loan is fully repaid by Party B or as agreed to by the Parties.

- 5. Should there be any matter which is not dealt with herein, the Parties may add or modify this Agreement at any time, provided, however, that any addition or modification to this Agreement shall be made in writing and signed by both Parties before such addition or modification becomes effective.
- 6. This Agreement shall be governed by and interpreted according to the Hong Kong laws. Both Parties agree that the Hong Kong Court shall have non-exclusive jurisdiction over any and all disputes or litigation arising out of this Agreement.

The corporate seal of each Party is affixed hereto by its legal representative or authorized representative.

Party A: Phoenix Satellite Television Co., Ltd.

Legal Representative or Authorized Representative: /s/ Changle Liu

Seal:

Party B: Phoenix Satellite Television Information Limited

Legal Representative or Authorized Representative: /s/ Keung Chui

Seal:

**Cooperation Agreement**

**between China Mobile Communications Corporation and  
Beijing Tianying Jiuzhou Network Technology Co., Ltd.**

Party A: China Mobile Communications Corporation  
 Address: Finance Street 29, Xicheng District, Beijing  
 Party B: Beijing Tianying Jiuzhou Network Technology Co., Ltd.  
 Address: Fusheng Building Tower 2 Floor 16, No.4 Hui Xin Dong Jie, Chaoyang District, Beijing

Whereas:

Party B is a cooperation partner of Phoenix Satellite TV Co., Ltd. ("Phoenix Satellite TV") and has been authorized to operate exclusively the internet and wireless value added business of Phoenix Satellite TV. Founded in April 2000, and with a registered capital of RMB10 Million, Party B has accumulated rich technological experiences and strong competitive edge in the internet area, has been dedicated to the development of internet in China with a focus on the combination of internet with traditional market and application, and engages mainly in the internet information services (other than news, publication, education, medical care, medicine, and medical instrument contents) and mobile network value added telecommunication business in the Beijing area.

In accordance with the *Contract Law of the People's Republic of China* and other relevant laws and regulations, and through friendly consultations based on the principles of equality and mutual benefit, Party A and Party B have agreed on the cooperation between the two Parties as follows:

**1. Content of Cooperation**

1.1 Party B agrees to produce solely for Party A three kinds of multimedia message products namely "GoTone Phoenix Weekly", "GoTone Phoenix Observer", and "Phoenix Express" based on the programs of Phoenix Satellite TV. Among which, one "GoTone Phoenix Weekly" message will be transmitted on a daily basis (excluding Saturday), one

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"GoTone Phoenix Observer" message will be transmitted on each Wednesday, Saturday, and Sunday, and three "Phoenix Express" messages will be transmitted irregularly in each month.

1.2 Party B agrees that Party A shall have the right to purchase the multimedia message products produced by Party B solely for Party A pursuant to Section 1.1 hereof. Party B covenants that it shall not provide, with or without consideration, such multimedia message products to any third party other than Party A.

1.3 Party B shall provide free supporting resources listed below:

1.3.1 Party A and Party B shall conduct jointly the "GoTone Current Affairs Forum" activity: Party A shall provide site and host Party B, while Party B shall provide hosts and lecturers who shall perform no less than fifteen (15) tour presentations in fifteen (15) cities throughout the country.

1.3.2 Party A and Party B shall conduct jointly the "GoTone VIP College" activity series: Party B shall set up corresponding curriculum, provide lecturers pursuant to the training requirements of Party A's clients and covenant that such lecturers will perform no less than five (5) tour presentations in five (5) cities throughout the country. Participants in such training shall be appointed by Party A.

1.3.3 Based on the blueprint of the limited-distribution edition of the "Phoenix Weekly" which is distributed in the mainland area of China, Party B shall make available to Party A prior to the fifteenth (15th) date of each month Twenty Thousand (20,000) copies of the premium edition of the "Phoenix Weekly", which edition shall contain all the contents of the third issue of the "Phoenix Weekly" of each month and the digest of no less than eight (8) sheets (sixteen (16) pages) of the first two issues of the "Phoenix Weekly" of the then current month. Concurrently, Party B shall provided to Party A's clients the electronic edition of the "Phoenix Weekly" magazine for free, the realization of which to be determined by both Parties through negotiation.

1.3.4 In combination with the "GoTone Current Affairs Forum" activities and the "GoTone VIP College" training series, Party B shall conduct the "Reading, I can" activity. Party B covenants that it will provide books to Party A in light of the current hot spots of the society or the "Reading Channel" of the Phoenix Network, which books will be presented to Party A's clients as a gift during each "Reading, I can" activity. The list and quantity of the books shall be determined by both Parties through negotiation.

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1.3.5 The plan for the relevant activities and the actual expenses thereof shall have Party A's prior consent in writing.

1.4 The term of cooperation between Party A and Party B shall commence on November 1, 2009 and end on October 31, 2010.

## **2. Contract Price; Terms and Method of Payment**

- 2.1 The contract price hereof shall be the price for the information purchased hereunder, which shall be calculated as follows: Party A shall pay Party B a price for the information products purchased during the period of January 1, 2010 through October 31, 2010, while Party B shall provide Party A with free information products made during the period of November 1, 2009 through December 31, 2009. The total contract price hereof shall be Sixty-two Million Four Hundred Thousand Renminbi (RMB62,400,000). Unless otherwise provided for herein, such contract price shall be tax-inclusive, including all the fees and expenses of Party B in performing this Agreement. Party A will not need to pay any other fees or expenses other than that agreed to by it in writing.
- 2.2 Payment hereunder shall be made by Party A through wire transfer as described below:
- In January 2010, Party B shall issue to Party A an official invoice in the amount of Twelve Million Four Hundred and Eighty Thousand Renminbi (RMB12,480,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within ten (10) days of receiving such invoice;
- In July 2010, Party B shall issue to Party A an official invoice in the amount of Thirty-seven Million Four Hundred and Forty Thousand Renminbi (RMB37,440,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within ten (10) days of receiving such invoice; and
- In November 2010, Party B shall issue to Party A an official invoice in the amount of Twelve Million Four Hundred and Eighty Thousand Renminbi (RMB12,480,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within ten (10) days of receiving such invoice.
- 2.3 Upon receiving Party A's payment notice, Party B shall issue to Party A the official invoice for the amount payable then.
- 2.4 During the term of this Agreement, the Parties may adjust the contract price herein by a supplemental agreement in writing. In this case, the actual amount payable by Party A shall be subject to such final supplemental agreement of the Parties.
- 2.5 Party B's bank information:

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A/C Name: Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Bank:

A/C No.:

Prior to Party A's making the payment, Party B shall confirm Party A's bank information with Party A. If Party B needs to change its bank information, it shall give Party A a 10-day prior notice in writing. Any losses suffered by either Party A or Party B due to Party B's failure to give such notice or to confirm with Party A its bank information shall be borne by Party B.

- 2.6 If Party B is held liable for any damage and/or liquidated damage, Party A shall have the right to deduct corresponding amount from any amount payable to Party B.
- 2.7 Any and all taxes arising out of this Agreement shall be paid by either Party respectively in accordance with the relevant tax laws and regulations, provided, however, that taxes payable by Party A in connection with the total contract price hereof shall be withheld and paid by Party B on behalf of Party A.

## **3. Party A's Rights and Obligations**

- 3.1 Party A shall have the right to purchase exclusively Party B's multimedia message products including "GoTone Phoenix Weekly", "GoTone Phoenix Observer", "Phoenix Express" and the contents thereof and pay Party B the price therefor in the form of information purchase fee.
- 3.2 During the period of cooperation between the Parties, Party A shall have the absolute discretion to conduct business operations in connection with the foregoing multimedia message products and the contents thereof.
- 3.3 Party A shall have the right to review the content of the multimedia message products provided by Party B as well as the content of the relevant news pursuant to relevant policies. In the event that any content of such products is found to be non-compliant with relevant laws, regulations or regulatory requirements, Party A shall have the right to refuse to purchase, and may return, the relevant products.
- 3.4 With respect to the relevant supporting resources provided by Party B for free, Party A shall have the right to decide the manner in which such resources shall be used and the various costs and expenses of Party B in using such resources.
- 3.5 Party A shall provide consulting services to clients and handle their complaints, including the handling of consultation requests and complaints from such clients regarding network, operation platform and pricing issues, the causes of which are attributable to Party A.

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With respect to client consultation requests and complaints arising out of causes attributable to Party B, Party A shall have the right to alert Party B of the relevant status and request prompt resolution of the relevant issues by Party B.

- 3.6 Party A shall compensate Party B timely for the relevant costs and expenses in accordance with this Agreement.
- 3.7 Upon the expiration of the term or extended term of this Agreement, Party A shall delete or destroy all the program contents obtained from Party B and may not continue to use the same in any manner.
- 4. Party B's Rights and Obligations**
- 4.1 Party B shall have the right to receive relevant fees or compensation in accordance with this Agreement.
- 4.2 Party B shall be responsible for the design, development, production, maintenance, and updates of the content of the "GoTone Phoenix Weekly", "GoTone Phoenix Observer", and "Phoenix Express", and the foregoing multimedia message products shall contain contents that cover current affairs, finance, entertainments, sports, culture, science and technology, fashion, and military affairs.
- 4.3 Party B covenants that the foregoing multimedia message products will be sold to Party A exclusively, for which products Party B will only provide content support, and that Party B will not sell such multimedia message products to or in collaboration with any third party other than Party A.
- 4.4 Party B covenants that the multimedia message products and contents thereof sold, and the relevant information and services provided, to Party A by Party B will not violate any relevant laws or regulations of the state, the interests of Party A's clients, or the intellectual property rights and/or other legitimate interests of any third party.
- 4.5 Party B covenants that the news contents provided to Party A by Party B are objective, real, legitimate and valid, are from source that complies with the relevant news censorship policies, and will not infringe on the intellectual property rights and/or other legitimate interests of any third party.
- 4.6 Party B shall assist Party A in providing consulting services to Party A's clients and in handling and resolving their complaints. With respect to complaints arising out of causes attributable to Party B, it shall handle and resolve the same within forty-eight (48) hours.
- 4.7 Party B warrants that it has the relevant qualifications or authorization or permit required to provide internet news information services and that the news information services

provided by Party B will be in compliance with the relevant regulations of the state. In case of any violation of law or regulation due to any defects in Party B's qualifications, Party B shall be liable for the consequences and liabilities therefor.

- 4.8 Party B warrants that the content of the various activities conducted on the basis of the supporting resources provided by Party B will meet the relevant content censorship requirements of the state. In case of any violation of law or regulation due to due to any resources or contents provided by Party B, Party B shall be liable for the consequences and liabilities therefor.
- 4.9 Party B warrants that it has obtained the use right and other relevant rights to the relevant trademark of Phoenix Satellite TV and has the right to sublicense to Party A the right to use such trademark.
- 4.10 Party B shall be responsible for the handling of all registration, filing, examination and approval procedures in connection with this Agreement and the performance hereunder.
- 5. License to Use the Trademark**
- 5.1 Definition
- 5.1.1 "Licensed Trademark" shall mean the relevant trademark of Phoenix Satellite TV shown in Exhibit 3 hereto, including the registered trademark right and the non-registered trademark right such trademark enjoys within and outside of China.
- 5.1.2 "Licensor" shall mean Party B hereto.
- 5.1.3 "Licensee" shall mean Party A hereto and its affiliated companies. Party A's affiliated companies shall mean China Mobile Communications Corporation, companies whose controlling interests are held, directly or indirectly, by Party A and which engage mainly in the communication business within the People's Republic of China, and the lawful successors of such companies.
- 5.2 Grant of License
- 5.2.1 Licensor hereby agrees to grant to Licensee a non-exclusive license to use the Licensed Trademark within China and permits Licensee to use the Licensed Trademark within China during the term of cooperation and subject to the terms and conditions of this Agreement. In connection therewith, Licensee shall have the right to use the Licensed Trademark within China subject to the terms and conditions of this Agreement.
- 5.2.2 Licensee may not assign any of its rights or obligations hereunder to any third party without Licensor's consent in writing.

- 5.2.3 Licensor agrees to authorize Licensee to enter into a separate trademark license agreement with any third party engaging in the relevant business operations in light of Licensee's business development or to set forth expressly in the relevant cooperation agreement the terms and conditions for the use of the Licensed Trademark, so as to enable such third party to use the Licensed Trademark reasonably in the specified areas.



### 5.3 Representations and Warranties

- 5.3.1 Licensor warrants to Licensee that Licensor has all the rights and/or authorization required to enter into and perform its obligations under this Agreement. Prior to the execution and during the existence of this Agreement, Licensor did not create or permit to be created any guarantee, mortgage or any other encumbrance on the Licensed Trademark. If, during the term of this Agreement, any third party contests the use of the Licensed Trademark by Licensee in accordance with this Agreement or takes any legal action against Licensee, Licensor will assume all responsibilities therefor, including but not limited to appearing in court, raising defense and making indemnification. Licensor shall also indemnify and hold harmless Licensee against all losses it may sustain by reason of its use of the contested Licensed Trademark.
- 5.3.2 Other than the right to use the Licensed Trademark pursuant to this Agreement, Licensee is not granted any other rights nor shall the Licensed Trademark be deemed sold or transferred to Licensee. Unless prior written consent is obtained from Licensor, Licensee shall not have any right to apply for registration in any country or area of the Licensed Trademark or any trademark, logo, name, sign, word, or any packaging, trade dress, color plan or design identical to or similar with the Licensed Trademark.

### 5.4 Supervision

- 5.4.1 Licensee shall comply with all applicable laws, regulations and policy requirements and obtain all government approvals required to use the Licensed Trademark.
- 5.4.2 Licensee may not use the Licensed Trademark in a way which may cause any damage or adverse effect on Licensor or its business or its reputation, nor may Licensee combine the Licensed Trademark with any trademark or other word, logo, sign or design of Licensee or any third party so as to create any new logo that contains or is similar to the Licensed Trademark.

## 6. Intellectual Property Right

- 6.1 All intellectual property rights and other interests in and to the information, documents, programs, plans, technologies, diagrams, models, parameters, data, standards, know-how, methods of business or business operation and other proprietary information provided by Party A to Party B hereunder shall be vested in Party A, and may not be used or provided to any third party by Party B for any purposes other than this Agreement without the prior consent of Party A in writing.
- 6.2 Party B warrants that it owns full intellectual property rights in and to all the products and services provided by it to Party A or that Party B has been authorized by the owner of the intellectual property rights in such products and services to use and provide for use by Party A of the same. Party B further warrants that Party A's possession and use of such products and services hereunder will not violate the intellectual property right and/or other legitimate interests of any third party.

If Party A infringes on the intellectual property rights of any third party or faces any indemnification request or claim from any third party on account of Party A's use of the products and services hereunder, Party B shall be responsible for the handling of the matter and identification. Party B agrees to defend Party A in the infringement litigation and pay all litigation expenses, reasonable attorney fees, settlement amount or the damages awarded in the final judgment, as well as the actual losses sustained by Party A herefrom.

## 7. Confidentiality Provisions

- 7.1 The term "Confidential Information", as used herein, shall mean information provided by the Party owning such information (the "Providing Party") to the other Party (the "Receiving Party") hereunder, including but not limited to technological information, business information, documents, programs, plans, technologies, diagrams, models, parameters, data, standards, know-how, methods of business or business operation and other proprietary information, the terms of this Agreement and other information in connection with this Agreement, and all information, data, materials, opinions, suggestions, periodic work products and final work products.
- 7.2 Confidential Information may be used by the Receiving Party and its staff only for the purpose of this Agreement. Unless otherwise provided for herein, the Receiving Party and its staff who have access to the Confidential Information may not provide or disclose, directly or indirectly, any Confidential Information provided by the Providing Party to any third party without the Providing Party's prior consent in writing. A "third party", as used herein, shall mean any natural person, legal person or other organization other than the Parties hereto, but does not include the affiliated companies of both Parties. Party A's affiliated companies shall mean China Mobile Communications Corporation,

companies whose controlling interests are held, directly or indirectly, by Party A and which engage mainly in the communication business within the People's Republic of China, and the lawful successors of such companies. Party B's affiliated companies shall mean Phoenix Satellite TV Co., Ltd. and its subsidiaries.

- 7.3 Confidential Information provided or disclosed by the Providing Party to the Receiving Party may be disclosed by the Receiving Party only to its designated employees, only for the purpose of performing this Agreement, and only to the extent of performance hereunder, provided, however, that the Receiving Party may not disclose any Confidential Information to any of its employees prior to taking all reasonable protective measures, which measures include but not limited to notifying such employees of the confidential nature of the information to be disclosed and warrants by such employees to keep the secrecy of such information with at least the same degree of care as is used to perform their confidential obligations hereunder, so as to prevent any use or disclosure of the Confidential Information to any third party by such employees for any purpose other than this Agreement.

- 7.4 The Receiving Party may disclose Confidential Information to its attorneys, accountants, contractors and advisors who have a need to know such Confidential Information in order to provide professional assistance, provided, however, that such individuals shall be required to enter into a confidential agreement or perform their confidential obligations in accordance with their professional ethics.
- 7.5 If the Receiving Party is required to disclose any Confidential Information by any relevant government or regulatory authority, the Receiving Party shall not be bound by the obligations hereunder when making such disclosure to the extent required by such government or regulatory authority, provide, however, that prior to making such disclosure the Receiving Party shall notify the Providing Party of the Confidential Information which the Receiving Party is required to disclose, so that the Providing Party can take necessary protective measures. The foregoing notice shall, to the extent possible, be made prior to the disclosure of the Confidential Information and the Receiving Party shall make all reasonable efforts to ensure that the Confidential Information so disclosed will receive confidential treatment by such government or regulatory authority.
- 7.6 The Receiving Party shall remain obligated to keep the secrecy of the Confidential Information or any part thereof until such Confidential Information enters into public domain and becomes known by the general public.
- 7.7 “Confidential Information”, as used herein, does not include:
- (i) information which is already known by the general public at the time it is disclosed by one Party or information which, after its disclosure, became known

by the general public through no fault of the Receiving Party and/or its employees, attorneys, accountants, contractors, advisors or any other personnel;

- (ii) information which, as evidenced by any written instrument, is already in the possession of the Receiving Party at the time it is disclosed and is not provided, directly or indirectly, by the Providing Party; and
  - (iii) information which, as evidenced by any written instrument, is disclosed to the Receiving Party by a third party which does not have the confidentiality obligation hereunder, but has the right to make such disclosure.
- 7.8 The Providing Party shall have the right to notify the Receiving Party in writing at any time, requesting the return of any material containing Confidential Information and/or copies thereof, accompanied with a written statement to certify that upon the return of such materials by the Receiving Party, it will not hold or control, directly or indirectly, any Confidential Information or any material contain Confidential Information. The Receiving Party shall satisfy such request within ten (10) days of receiving such written notice. With respect to any material containing Confidential Information and/or copies thereof which do not need to be returned pursuant to agreement of the Parties, the Receiving Party shall destroy or irrevocably delete the same pursuant to the request of the Providing Party and provide written confirmation thereof to the Providing Party.

## 8. Liabilities for Default

- 8.1 Any non-performance of any obligations hereunder or any performance not up to the requirements hereunder by any Party shall be deemed a default and such Party shall stop such breach, be liable for default, and continue to perform its obligations, take remedial measures, or indemnify losses.
- 8.2 If any Party, due to causes attributable to itself, causes any loss to the other Party and/or any third party during such Party’s performance of this Agreement, such Party shall be responsible for the remedying of such losses and assume relevant responsibilities therefor.
- 8.3 If Party A fails to make any payment as set forth herein without due cause, Party A shall pay to Party B a liquidated damage at 0.05% of the amount payable for each day of delay.
- 8.4 If Party B fails to provide the multimedia message products or services at such frequency, time and place as set forth herein without due cause, Party B shall pay to Party A a liquidated damage at 0.05% of the total contract price hereof for each day of delay.
- 8.5 If any Party is in breach of the intellectual property right provisions hereof, such Party shall pay to the non-breaching Party a liquidated damage at 1% of the total contract price hereof.

- 8.6 If any Party is in breach of the confidentiality provisions hereof, such Party shall pay to the non-breaching Party a liquidated damage at 1% of the total contract price hereof.
- 8.7 If the products, contents, and services provided by Party B cause any regulatory issue or legal dispute for violations of any law or regulatory policy requirements, Party B shall be responsible for the handling of such matters; and where losses is incurred by Party A, Party B shall also pay to Party A a liquidated damage at 1% of the total contract price hereof and indemnify Party A for its actual losses.
- 8.8 If the foregoing liquidated damages are insufficient to cover the losses of the non-breaching Party, then the breaching Party shall also indemnify the non-breaching Party in light of the actual losses sustained by the non-breaching Party.

## 9. Event of Force Majeure

- 9.1 An “event of force majeure”, as used herein, shall mean an objective circumstance which cannot be foreseen, avoided and overcome.
- 9.2 If either or both Parties fail to perform its or their obligations hereunder due to the occurrence of an event of force majeure during the performance hereof, the Party encountering such event (the “Frustrated Party”) shall not be deemed as being in breach of this Agreement if

- (i) the Frustrated Party's failure to perform its obligations, in whole or in part, is due to the direct influence of the event of force majeure and there has not been any delayed performance on the part of the Frustrated Party prior to such event of force majeure;
  - (ii) the Frustrated Party has made its best effort to perform its obligations and mitigate losses of the other Party due to the event of force majeure; and
  - (iii) the Frustrated Party has notified the other Party promptly following the occurrence of the event of force majeure and provided to the other Party authoritative supporting documents and written statement certifying such event within fifteen (15) days of such event.
- 9.3 Once the event of force majeure stops, the Frustrated Party shall continue performing this Agreement and notify the other Party promptly. The Frustrated Party may extend its performance of this Agreement to the extent delayed by the event of force majeure.
- 9.4 If an event of force majeure lasts for thirty (30) days or more, the Parties shall negotiate the modification or termination of this Agreement based on the extent to which it is affected by such event. If no agreement can be reached by and between the Parties within

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ten (10) days as of the date on which one Party serves the other Party a notice requesting negotiation, then either Party may terminate this Agreement without any liability for breaching.

## 10. Notice and Service

- 10.1 Any and all notices required to be made hereunder shall be made in writing and sent through personal delivery, express service, registered mail or fax. The date on which a notice is sent through express service or registered mail shall be as indicated by the postmark and the intended recipient of such notice shall be specified thereon.
- 10.2 The foregoing written notice shall be deemed duly served if delivered according to the contact information of the other Party set forth in Section 10.4 hereof and at the time set forth in Section 10.3 hereof. Should there be any change to the contact information of any Party, such Party shall notify the other Party in writing ten (10) days prior to such change. Any losses arising out of any delayed notice shall be borne by the defaulting Party.
- 10.3 The date on which any notice is deemed duly served shall be determined as follows:
- (i) notice sent through personal delivery shall be deemed duly served on the date on which such notice is received by the intended recipient thereof;
  - (ii) notice sent through express service shall be deemed duly served on the date which is the 2<sup>nd</sup> date, or 3<sup>rd</sup> date, or 4<sup>th</sup> date, or 6<sup>th</sup> date of the date on which it is picked up by the express service if the intended recipient is in the same city, or other cities within the country, or Hong Kong, Macau, and Taiwan, or other countries and areas outside of China, respectively;
  - (iii) notice sent through registered mail shall be deemed duly served on the date which is the 3<sup>rd</sup> date, or 4<sup>th</sup> date, or 5<sup>th</sup> date, or the 7<sup>th</sup> date of the date on which it is posted if the intended recipient is in the same city, or other cities within the country, or Hong Kong, Macau, and Taiwan, or other countries and areas outside of China, respectively;
  - (iv) notice sent through fax shall be deemed duly served at the time indicated on the transmission report of the sending party's fax machine.
- 10.4 The contact information of the Parties are as follows:
- To Party A:
- China Mobile Communications Corporation
- Address: Finance Street 29, Xicheng District, Beijing

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Tel.: (86-10) 6600 6688

Fax: (86-10) 6600 6246

Postal: 100032

To Party B:

Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Address: Fusheng Building Tower 2 Floor 16, No.4 Hui Xin Dong Jie, Chaoyang District, Beijing

Tel.: (86-10) 8445 8000

Fax: (86-10) 8445 8002

Postal: 100029

## 11. Applicable Law and Dispute Resolution

- 11.1 The formation, execution, validity, interpretation, performance, amendment, termination and dispute resolution of this Agreement shall be governed by the laws of the People's Republic of China.
- 11.2 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through friendly negotiations, which shall commence immediately after one Party sends to the other a written notice requesting such negotiation.
- 11.3 In the event that the Parties cannot resolve the dispute through negotiation within ten (10) days of the foregoing notice requesting negotiation, then such dispute shall be resolved in the manner described below:
- The dispute shall be submitted to Beijing Arbitration Commission for arbitration in Beijing in accordance with the arbitration rules of such commission then in effect. The arbitral award shall be final and binding upon both Parties and may be enforced by any court or other authority having jurisdiction. Unless otherwise stipulated in the arbitral award, all legal expenses, including but not limited to the attorney fees, of the Parties in connection with the arbitration shall be borne by the losing Party.
- 11.4 During the course of the litigation or arbitration, other than the part or parts under dispute, the remaining parts of this Agreement shall continue to have full force and effect and the Parties shall continue to perform their obligations thereunder.

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- 11.5 Both Parties agree to serve subpoena, notice or other document relating to arbitration or enforcement of arbitral award in the manner described in the "Notice and Service" provision, provided, however, that nothing in the "Notice and Service" provision shall affect either Party's right to serve subpoena, notice or other document in any other manner permitted by law.
- 11.6 This Article 11 shall survive the invalidity of this Agreement, in whole or in part.

## 12. Effectiveness; Termination; Miscellaneous Provisions

- 12.1 No Party may assign its rights and obligations hereunder to any third party without the other Party's consent in writing.
- 12.2 This Agreement is made in Chinese and English in four (4) copies, with each Party A and Party B holding two (2) copies, each copy shall have equal legal validity.
- 12.3 Headings of each Article, Section and Subsection herein are inserted for ease of reference only and may not have any effect on the meaning or interpretation of this Agreement.
- 12.4 Failure on the part of either Party hereto to exercise any of its rights hereunder, to request the performance by the other Party of any of its obligations hereunder, or to enforce one or more provisions hereof, shall not be deemed a waiver of such rights by such Party, nor shall it affect the validity of this Agreement in any manner, and nor shall it prevent such Party from exercising at any time any other right or rights which such Party enjoys.
- 12.5 If any provision hereof is held invalid or unenforceable by any agency having jurisdiction at any time, the validity and enforceability of such provision under other circumstances and the validity and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.
- 12.6 Unless otherwise agreed to by the Parties herein, all expenses and fees (including legal expenses) in connection with this Agreement and the performance hereof shall be borne by the Party incurring such expenses and fees.
- 12.7 Matters not dealt with herein shall be settled by the Parties through friendly negotiations. Amendment or addition to this Agreement and the exhibits hereto, if necessary, shall be made in writing. In case of any conflict between any amendment or supplemental agreement and this Agreement, the amendment or supplemental agreement shall govern.
- 12.8 This Agreement shall continue to be effective until all obligations are performed and all payments and claims are settled by the Parties.

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- 12.9 Exhibits hereto shall constitute integral parts of this Agreement and have equal legal validity. In case of any conflict between the exhibits and the body text of this Agreement, the body text shall govern.
- 12.10 This Agreement shall become effective on the date on which it is signed and chopped with the corporate seal of each Party by the legal representative or authorized representative of each Party, or on the date of the later signatory in case the signing of this Agreement by the Parties does not fall on an even date. The Parties may negotiate the extension of this Agreement prior to its expiration.

### List of Exhibits:

Exhibit 1: Enterprise Legal Person's Business License of Tianying Jiuzhou

Exhibit 2: Letter of Business Authorization

Exhibit 3: Letter of Trademark Authorization

[signature page]

Party A: China Mobile Communications Corporation (seal)

Legal Representative/Authorized Representative: /s/ Jianzhou Wang

Jianzhou Wang

Date: December 29, 2009

Party B: Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Legal Representative/Authorized Representative : /s/ Shuang Liu

Shuang Liu

Date: December 29, 2009

**Cooperation Agreement**

**between China Mobile Communications Corporation and  
Beijing Tianying Jiuzhou Network Technology Co., Ltd.**

Party A: China Mobile Communications Corporation  
 Address: Finance Street 29, Xicheng District, Beijing  
 Party B: Beijing Tianying Jiuzhou Network Technology Co., Ltd.  
 Address: Fusheng Building Tower 2 Floor 16, No.4 Hui Xin Dong Jie, Chaoyang District, Beijing

Whereas:

Party B is a cooperation partner of Phoenix Satellite TV Co., Ltd. ("Phoenix Satellite TV") and has been authorized to operate exclusively the internet and wireless value added business of Phoenix Satellite TV. Founded in April 2000, and with a registered capital of RMB10 Million, Party B has accumulated rich technological experiences and strong competitive edge in the internet area, has been dedicated to the development of internet in China with a focus on the combination of internet with traditional market and application, and engages mainly in the internet information services (other than news, publication, education, medical care, medicine, and medical instrument contents) and mobile network value added telecommunication business in the Beijing area.

In accordance with the *Contract Law of the People's Republic of China* and other relevant laws and regulations, and through friendly consultations based on the principles of equality and mutual benefit, Party A and Party B have agreed on the cooperation between the two Parties as follows:

**1. Content of Cooperation**

1.1 Party B agrees to produce solely for Party A three kinds of multimedia message products namely "GoTone Phoenix Weekly", "GoTone Phoenix Observer", and "Phoenix Express" based on the programs of Phoenix Satellite TV. Among which, one "GoTone Phoenix Observer" message will be transmitted on a daily basis (excluding Saturday), one

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"GoTone Phoenix Weekly" message will be transmitted on each Saturday, and three "Phoenix Express" messages will be transmitted irregularly in each month.

1.2 Party B agrees that Party A shall have the right to purchase the multimedia message products produced by Party B solely for Party A pursuant to Section 1.1 hereof. If changes to such multimedia message products are required, which changes include but not limited to changes to the title, content and delivery frequency of such multimedia message products, such changes may be carried out upon mutual agreement and written confirmation of the Parties. Party B covenants that it shall not provide, with or without consideration, such multimedia message products to any third party other than Party A.

1.3 Party B agrees that during the period of cooperation, both Parties shall jointly explore the wireless ad business on the basis of the foregoing multimedia message products and a back charge pattern, the specific cooperation model of which shall be subject to a separate supplemental agreement of the Parties.

1.4 Party B shall provide free supporting resources listed below:

1.4.1 Party A and Party B shall conduct jointly the "GoTone Current Affairs Forum" activity: Party A shall provide site and host Party B, while Party B shall provide hosts and lecturers who shall perform no less than thirty-one (31) tour presentations throughout the country.

1.4.2 Based on the blueprint of the limited-distribution edition of the "Phoenix Weekly" which is distributed in the mainland area of China, Party B shall make available to Party A prior to the fifteenth (15th) date of each month Twenty Thousand (20,000) copies of the premium edition of the "Phoenix Weekly", which edition shall contain all the contents of the third issue of the "Phoenix Weekly" of each month and the digest of no less than eight (8) sheets (sixteen (16) pages) of the first two issues of the "Phoenix Weekly" of the then current month. Concurrently, Party B shall provided to Party A's clients the electronic edition of the "Phoenix Weekly" magazine for free, the realization of which to be determined by both Parties through negotiation.

1.4.3 In combination with the "GoTone Phoenix Current Affairs Forum" and in light of the current hot spots of the society, Party B shall conduct reading activities in collaboration with Party A and present ten thousand (1,000) gift books to Party A in support of the "GoTone Phoenix Current Affairs Forum" activity. The list of the books shall be determined by both Parties through negotiation.

1.4.4 In support of Party A's daily marketing endeavors, Party B shall provide news coverage and dissemination services for Party A through Phoenix Satellite TV (no

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less than 24 times a year), GoTone Phoenix Mobile Newspaper (no less than 60 times a year), 3g.ifeng.com (no less than 40 times a year), and Phoenix Mobile TV (a video application, no less than 35 times a year).

1.4.5 Party B shall set up for Party A a "GoTone VIP Current Affairs Forum", a first-class channel, at www.ifeng.com and give extensive publicity to such channel and the activities thereof by using Phoenix website's internal resources (Banner, Focus Picture, Text Link and etc.) and partners' media resources.

1.4.6 The plan for the relevant activities and the actual expenses thereof shall have Party A's prior consent in writing.

1.5 The term of cooperation between Party A and Party B shall commence on January 1, 2011 and end on December 31, 2011.

## 2. Contract Price; Terms and Method of Payment

2.1 The contract price hereof shall be the price for the information purchased hereunder, which shall be calculated as follows: Party A shall pay Party B a price for the information products purchased during the period of January 1, 2011 through December 31, 2011, while Party B shall provide Party A with free information products made during the period of November 1, 2010 through December 31, 2010. The total contract price hereof shall be Fifty-eight Million Eight Hundred Thousand Renminbi (RMB58,800,000). Unless otherwise provided for herein, such contract price shall be tax-inclusive, including all the fees and expenses of Party B in performing this Agreement. Party A will not need to pay any other fees or expenses other than that agreed to by it in writing.

2.2 Payment hereunder shall be made by Party A through wire transfer as described below:

In January 2011, Party B shall issue to Party A an official invoice in the amount of Eleven Million Seven Hundred and Sixty Thousand Renminbi (RMB11,760,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within ten (10) days of receiving such invoice;

In September 2011, Party B shall issue to Party A an official invoice in the amount of Thirty-five Million Two Hundred and Eighty Thousand Renminbi (RMB35,280,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within ten (10) days of receiving such invoice; and

In January 2012, Party B shall issue to Party A an official invoice in the amount of Eleven Million Seven Hundred and Sixty Thousand Renminbi (RMB11,760,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within ten (10) days of receiving such invoice.

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2.3 Upon receiving Party A's payment notice, Party B shall issue to Party A the official invoice for the amount payable then.

2.4 During the term of this Agreement, the Parties may adjust the contract price herein by a supplemental agreement in writing. In this case, the actual amount payable by Party A shall be subject to such final supplemental agreement of the Parties.

2.5 Party B's bank information:

A/C Name: Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Bank:

A/C No.:

Prior to Party A's making the payment, Party B shall confirm Party A's bank information with Party A. If Party B needs to change its bank information, it shall give Party A a 10-day prior notice in writing. Any losses suffered by either Party A or Party B due to Party B's failure to give such notice or to confirm with Party A its bank information shall be borne by Party B.

2.6 If Party B is held liable for any damage and/or liquidated damage, Party A shall have the right to deduct corresponding amount from any amount payable to Party B.

2.7 Any and all taxes arising out of this Agreement shall be paid by either Party respectively in accordance with the relevant tax laws and regulations, provided, however, that taxes payable by Party A in connection with the total contract price hereof shall be withheld and paid by Party B on behalf of Party A.

## 3. Party A's Rights and Obligations

3.1 Party A shall have the right to purchase exclusively Party B's multimedia message products including "GoTone Phoenix Observer", "GoTone Phoenix Weekly", "Phoenix Express" and the contents thereof and pay Party B the price therefor in the form of information purchase fee.

3.2 During the period of cooperation between the Parties, Party A shall have the absolute discretion to conduct business operations in connection with the foregoing multimedia message products and the contents thereof, which business operations include but not limited to user credit exchange, mobile market subscription and download, and wireless ad business.

3.3 Party A shall have the right to review the content of the multimedia message products provided by Party B as well as the content of the relevant news pursuant to relevant

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policies. In the event that any content of such products is found to be non-compliant with relevant laws, regulations or regulatory requirements, Party A shall have the right to refuse to purchase, and may return, the relevant products.

- 3.4 With respect to the relevant supporting resources provided by Party B for free, Party A shall have the right to decide the manner in which such resources shall be used and the various costs and expenses of Party B in using such resources.
- 3.5 Party A shall provide consulting services to clients and handle their complaints, including the handling of consultation requests and complaints from such clients regarding network, operation platform and pricing issues, the causes of which are attributable to Party A. With respect to client consultation requests and complaints arising out of causes attributable to Party B, Party A shall have the right to alert Party B of the relevant status and request prompt resolution of the relevant issues by Party B.
- 3.6 Party A shall compensate Party B timely for the relevant costs and expenses in accordance with this Agreement.
- 3.7 Upon the expiration of the term or extended term of this Agreement, Party A shall delete or destroy all the program contents obtained from Party B and may not continue to use the same in any manner.

#### **4. Party B's Rights and Obligations**

- 4.1 Party B shall have the right to receive relevant fees or compensation in accordance with this Agreement.
- 4.2 Party B shall be responsible for the design, development, production, maintenance, and updates of the content of the "GoTone Phoenix Weekly", "GoTone Phoenix Observer", and "Phoenix Express", and the foregoing multimedia message products shall contain contents that cover current affairs, finance, entertainments, sports, culture, science and technology, fashion, and military affairs.
- 4.3 Party B covenants that the foregoing multimedia message products will be sold to Party A exclusively, for which products Party B will only provide content support, and that Party B will not sell such multimedia message products to or in collaboration with any third party other than Party A.
- 4.4 Party B covenants that the multimedia message products and contents thereof sold, and the relevant information and services provided, to Party A by Party B will not violate any relevant laws or regulations of the state, the interests of Party A's clients, or the intellectual property rights and/or other legitimate interests of any third party.

- 4.5 Party B covenants that the news contents provided to Party A by Party B are objective, real, legitimate and valid, are from source that complies with the relevant news censorship policies, and will not infringe on the intellectual property rights and/or other legitimate interests of any third party.
- 4.6 Party B shall assist Party A in providing consulting services to Party A's clients and in handling and resolving their complaints. With respect to complaints arising out of causes attributable to Party B, it shall handle and resolve the same within forty-eight (48) hours.
- 4.7 Party B warrants that it has the relevant qualifications or authorization or permit required to provide internet news information services and that the news information services provided by Party B will be in compliance with the relevant regulations of the state. In case of any violation of law or regulation due to any defects in Party B's qualifications, Party B shall be liable for the consequences and liabilities therefor.
- 4.8 Party B warrants that the content of the various activities conducted on the basis of the supporting resources provided by Party B will meet the relevant content censorship requirements of the state. In case of any violation of law or regulation due to due to any resources or contents provided by Party B, Party B shall be liable for the consequences and liabilities therefor.
- 4.9 Party B warrants that it has obtained the use right and other relevant rights to the relevant trademark of Phoenix Satellite TV and has the right to sublicense to Party A the right to use such trademark.
- 4.10 Party B shall be responsible for the handling of all registration, filing, examination and approval procedures in connection with this Agreement and the performance hereunder.

#### **5. License to Use the Trademark**

##### **5.1 Definition**

- 5.1.1 "Licensed Trademark" shall mean the relevant trademark of Phoenix Satellite TV shown in Exhibit 3 hereto, including the registered trademark right and the non-registered trademark right such trademark enjoys within and outside of China.
- 5.1.2 "Licensor" shall mean Party B hereto.
- 5.1.3 "Licensee" shall mean Party A hereto and its affiliated companies. Party A's affiliated companies shall mean China Mobile Communications Corporation, companies whose controlling interests are held, directly or indirectly, by Party A and which engage mainly in the communication business within the People's Republic of China, and the lawful successors of such companies.

##### **5.2 Grant of License**



- 5.2.1 Licensor hereby agrees to grant to Licensee a non-exclusive license to use the Licensed Trademark within China and permits Licensee to use the Licensed Trademark within China during the term of cooperation and subject to the terms and conditions of this Agreement. In connection therewith, Licensee shall have the right to use the Licensed Trademark within China subject to the terms and conditions of this Agreement.
- 5.2.2 Licensee may not assign any of its rights or obligations hereunder to any third party without Licensor's consent in writing.
- 5.2.3 Licensor agrees to authorize Licensee to enter into a separate trademark license agreement with any third party engaging in the relevant business operations in light of Licensee's business development or to set forth expressly in the relevant cooperation agreement the terms and conditions for the use of the Licensed Trademark, so as to enable such third party to use the Licensed Trademark reasonably in the specified areas.

### 5.3 Representations and Warranties

- 5.3.1 Licensor warrants to Licensee that Licensor has all the rights and/or authorization required to enter into and perform its obligations under this Agreement. Prior to the execution and during the existence of this Agreement, Licensor did not create or permit to be created any guarantee, mortgage or any other encumbrance on the Licensed Trademark. If, during the term of this Agreement, any third party contests the use of the Licensed Trademark by Licensee in accordance with this Agreement or takes any legal action against Licensee, Licensor will assume all responsibilities therefor, including but not limited to appearing in court, raising defense and making indemnification. Licensor shall also indemnify and hold harmless Licensee against all losses it may sustain by reason of its use of the contested Licensed Trademark.
- 5.3.2 Other than the right to use the Licensed Trademark pursuant to this Agreement, Licensee is not granted any other rights nor shall the Licensed Trademark be deemed sold or transferred to Licensee. Unless prior written consent is obtained from Licensor, Licensee shall not have any right to apply for registration in any country or area of the Licensed Trademark or any trademark, logo, name, sign, word, or any packaging, trade dress, color plan or design identical to or similar with the Licensed Trademark.

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### 5.4 Supervision

- 5.4.1 Licensee shall comply with all applicable laws, regulations and policy requirements and obtain all government approvals required to use the Licensed Trademark.
- 5.4.2 Licensee may not use the Licensed Trademark in a way which may cause any damage or adverse effect on Licensor or its business or its reputation, nor may Licensee combine the Licensed Trademark with any trademark or other word, logo, sign or design of Licensee or any third party so as to create any new logo that contains or is similar to the Licensed Trademark.

## 6. Intellectual Property Right

- 6.1 All intellectual property rights and other interests in and to the information, documents, programs, plans, technologies, diagrams, models, parameters, data, standards, know-how, methods of business or business operation and other proprietary information provided by Party A to Party B hereunder shall be vested in Party A, and may not be used or provided to any third party by Party B for any purposes other than this Agreement without the prior consent of Party A in writing.
- 6.2 Party B warrants that it owns full intellectual property rights in and to all the products and services provided by it to Party A or that Party B has been authorized by the owner of the intellectual property rights in such products and services to use and provide for use by Party A of the same. Party B further warrants that Party A's possession and use of such products and services hereunder will not violate the intellectual property right and/or other legitimate interests of any third party.

If Party A infringes on the intellectual property rights of any third party or faces any indemnification request or claim from any third party on account of Party A's use of the products and services hereunder, Party B shall be responsible for the handling of the matter and identification. Party B agrees to defend Party A in the infringement litigation and pay all litigation expenses, reasonable attorney fees, settlement amount or the damages awarded in the final judgment, as well as the actual losses sustained by Party A herefrom.

## 7. Confidentiality Provisions

- 7.1 The term "Confidential Information", as used herein, shall mean information provided by the Party owning such information (the "Providing Party") to the other Party (the "Receiving Party") hereunder, including but not limited to technological information, business information, documents, programs, plans, technologies, diagrams, models, parameters, data, standards, know-how, methods of business or business operation and other proprietary information, the terms of this Agreement and other information in

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connection with this Agreement, and all information, data, materials, opinions, suggestions, periodic work products and final work products.

- 7.2 Confidential Information may be used by the Receiving Party and its staff only for the purpose of this Agreement. Unless otherwise provided for herein, the Receiving Party and its staff who have access to the Confidential Information may not provide or disclose, directly or indirectly, any Confidential Information provided by the Providing Party to any third party without the Providing Party's prior consent in writing. A "third party", as used herein, shall mean any natural person, legal person or other organization other than the Parties hereto, but does not include the affiliated companies of both Parties. Party A's affiliated companies shall mean China Mobile Communications Corporation, companies whose controlling

interests are held, directly or indirectly, by Party A and which engage mainly in the communication business within the People's Republic of China, and the lawful successors of such companies. Party B's affiliated companies shall mean Phoenix Satellite TV Co., Ltd. and its subsidiaries.

- 7.3 Confidential Information provided or disclosed by the Providing Party to the Receiving Party may be disclosed by the Receiving Party only to its designated employees, only for the purpose of performing this Agreement, and only to the extent of performance hereunder, provided, however, that the Receiving Party may not disclose any Confidential Information to any of its employees prior to taking all reasonable protective measures, which measures include but not limited to notifying such employees of the confidential nature of the information to be disclosed and warrants by such employees to keep the secrecy of such information with at least the same degree of care as is used to perform their confidential obligations hereunder, so as to prevent any use or disclosure of the Confidential Information to any third party by such employees for any purpose other than this Agreement.
- 7.4 The Receiving Party may disclose Confidential Information to its attorneys, accountants, contractors and advisors who have a need to know such Confidential Information in order to provide professional assistance, provided, however, that such individuals shall be required to enter into a confidential agreement or perform their confidential obligations in accordance with their professional ethics.
- 7.5 If the Receiving Party is required to disclose any Confidential Information by any relevant government or regulatory authority, the Receiving Party shall not be bound by the obligations hereunder when making such disclosure to the extent required by such government or regulatory authority, provide, however, that prior to making such disclosure the Receiving Party shall notify the Providing Party of the Confidential Information which the Receiving Party is required to disclose, so that the Providing Party can take necessary protective measures. The foregoing notice shall, to the extent possible,

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be made prior to the disclosure of the Confidential Information and the Receiving Party shall make all reasonable efforts to ensure that the Confidential Information so disclosed will receive confidential treatment by such government or regulatory authority.

- 7.6 The Receiving Party shall remain obligated to keep the secrecy of the Confidential Information or any part thereof until such Confidential Information enters into public domain and becomes known by the general public.
- 7.7 "Confidential Information", as used herein, does not include:
- (i) information which is already known by the general public at the time it is disclosed by one Party or information which, after its disclosure, became known by the general public through no fault of the Receiving Party and/or its employees, attorneys, accountants, contractors, advisors or any other personnel;
  - (ii) information which, as evidenced by any written instrument, is already in the possession of the Receiving Party at the time it is disclosed and is not provided, directly or indirectly, by the Providing Party; and
  - (iii) information which, as evidenced by any written instrument, is disclosed to the Receiving Party by a third party which does not have the confidentiality obligation hereunder, but has the right to make such disclosure.
- 7.8 The Providing Party shall have the right to notify the Receiving Party in writing at any time, requesting the return of any material containing Confidential Information and/or copies thereof, accompanied with a written statement to certify that upon the return of such materials by the Receiving Party, it will not hold or control, directly or indirectly, any Confidential Information or any material contain Confidential Information. The Receiving Party shall satisfy such request within ten (10) days of receiving such written notice. With respect to any material containing Confidential Information and/or copies thereof which do not need to be returned pursuant to agreement of the Parties, the Receiving Party shall destroy or irrevocably delete the same pursuant to the request of the Providing Party and provide written confirmation thereof to the Providing Party.

## **8. Liabilities for Default**

- 8.1 Any non-performance of any obligations hereunder or any performance not up to the requirements hereunder by any Party shall be deemed a default and such Party shall stop such breach, be liable for default, and continue to perform its obligations, take remedial measures, or indemnify losses.

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- 8.2 If any Party, due to causes attributable to itself, causes any loss to the other Party and/or any third party during such Party's performance of this Agreement, such Party shall be responsible for the remedying of such losses and assume relevant responsibilities therefor.
- 8.3 If Party A fails to make any payment as set forth herein without due cause, Party A shall pay to Party B a liquidated damage at 0.05% of the amount payable for each day of delay.
- 8.4 If Party B fails to provide the multimedia message products or services at such frequency, time and place as set forth herein without due cause, Party B shall pay to Party A a liquidated damage at 0.05% of the total contract price hereof for each day of delay.
- 8.5 If any Party is in breach of the intellectual property right provisions hereof, such Party shall pay to the non-breaching Party a liquidated damage at 1% of the total contract price hereof.
- 8.6 If any Party is in breach of the confidentiality provisions hereof, such Party shall pay to the non-breaching Party a liquidated damage at 1% of the total contract price hereof.
- 8.7 If the products, contents, and services provided by Party B cause any regulatory issue or legal dispute for violations of any law or regulatory policy requirements, Party B shall be responsible for the handling of such matters; and where losses is incurred by Party A, Party B shall also pay to Party A a liquidated damage at 1% of the total contract price hereof and indemnify Party A for its actual losses.

8.8 If the foregoing liquidated damages are insufficient to cover the losses of the non-breaching Party, then the breaching Party shall also indemnify the non-breaching Party in light of the actual losses sustained by the non-breaching Party.

## 9. Event of Force Majeure

9.1 An "event of force majeure", as used herein, shall mean an objective circumstance which cannot be foreseen, avoided and overcome.

9.2 If either or both Parties fail to perform its or their obligations hereunder due to the occurrence of an event of force majeure during the performance hereof, the Party encountering such event (the "Frustrated Party") shall not be deemed as being in breach of this Agreement if

(i) the Frustrated Party's failure to perform its obligations, in whole or in part, is due to the direct influence of the event of force majeure and there has not been any delayed performance on the part of the Frustrated Party prior to such event of force majeure;

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(ii) the Frustrated Party has made its best effort to perform its obligations and mitigate losses of the other Party due to the event of force majeure; and

(iii) the Frustrated Party has notified the other Party promptly following the occurrence of the event of force majeure and provided to the other Party authoritative supporting documents and written statement certifying such event within fifteen (15) days of such event.

9.3 Once the event of force majeure stops, the Frustrated Party shall continue performing this Agreement and notify the other Party promptly. The Frustrated Party may extend its performance of this Agreement to the extent delayed by the event of force majeure.

9.4 If an event of force majeure lasts for thirty (30) days or more, the Parties shall negotiate the modification or termination of this Agreement based on the extent to which it is affected by such event. If no agreement can be reached by and between the Parties within ten (10) days as of the date on which one Party serves the other Party a notice requesting negotiation, then either Party may terminate this Agreement without any liability for breaching.

## 10. Notice and Service

10.1 Any and all notices required to be made hereunder shall be made in writing and sent through personal delivery, express service, registered mail or fax. The date on which a notice is sent through express service or registered mail shall be as indicated by the postmark and the intended recipient of such notice shall be specified thereon.

10.2 The foregoing written notice shall be deemed duly served if delivered according to the contact information of the other Party set forth in Section 10.4 hereof and at the time set forth in Section 10.3 hereof. Should there be any change to the contact information of any Party, such Party shall notify the other Party in writing ten (10) days prior to such change. Any losses arising out of any delayed notice shall be borne by the defaulting Party.

10.3 The date on which any notice is deemed duly served shall be determined as follows:

(i) notice sent through personal delivery shall be deemed duly served on the date on which such notice is received by the intended recipient thereof;

(ii) notice sent through express service shall be deemed duly served on the date which is the 2<sup>nd</sup> date, or 3<sup>rd</sup> date, or 4<sup>th</sup> date, or 6<sup>th</sup> date of the date on which it is picked up by the express service if the intended recipient is in the same city, or other cities within the country, or Hong Kong, Macau, and Taiwan, or other countries and areas outside of China, respectively;

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(iii) notice sent through registered mail shall be deemed duly served on the date which is the 3<sup>rd</sup> date, or 4<sup>th</sup> date, or 5<sup>th</sup> date, or the 7<sup>th</sup> date of the date on which it is posted if the intended recipient is in the same city, or other cities within the country, or Hong Kong, Macau, and Taiwan, or other countries and areas outside of China, respectively;

(iv) notice sent through fax shall be deemed duly served at the time indicated on the transmission report of the sending party's fax machine.

10.4 The contact information of the Parties are as follows:

To Party A:

China Mobile Communications Corporation

Address: Finance Street 29, Xicheng District, Beijing

Tel.: (86-10) 6600 6688

Fax: (86-10) 6600 6246

Postal: 100032

To Party B:

Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Address: Fusheng Building Tower 2 Floor 16, No.4 Hui Xin Dong Jie, Chaoyang District, Beijing

Tel.: (86-10) 8445 8000

Fax: (86-10) 8445 8002

Postal: 100029

## 11. Applicable Law and Dispute Resolution

11.1 The formation, execution, validity, interpretation, performance, amendment, termination and dispute resolution of this Agreement shall be governed by the laws of the People's Republic of China.

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11.2 Any dispute arising out of or in connection with this Agreement shall be resolved by the Parties through friendly negotiations, which shall commence immediately after one Party sends to the other a written notice requesting such negotiation.

11.3 In the event that the Parties cannot resolve the dispute through negotiation within ten (10) days of the foregoing notice requesting negotiation, then such dispute shall be resolved in the manner described below:

The dispute shall be submitted to Beijing Arbitration Commission for arbitration in Beijing in accordance with the arbitration rules of such commission then in effect. The arbitral award shall be final and binding upon both Parties and may be enforced by any court or other authority having jurisdiction. Unless otherwise stipulated in the arbitral award, all legal expenses, including but not limited to the attorney fees, of the Parties in connection with the arbitration shall be borne by the losing Party.

11.4 During the course of the litigation or arbitration, other than the part or parts under dispute, the remaining parts of this Agreement shall continue to have full force and effect and the Parties shall continue to perform their obligations thereunder.

11.5 Both Parties agree to serve subpoena, notice or other document relating to arbitration or enforcement of arbitral award in the manner described in the "Notice and Service" provision, provided, however, that nothing in the "Notice and Service" provision shall affect either Party's right to serve subpoena, notice or other document in any other manner permitted by law.

11.6 This Article 11 shall survive the invalidity of this Agreement, in whole or in part.

## 12. Effectiveness; Termination; Miscellaneous Provisions

12.1 No Party may assign its rights and obligations hereunder to any third party without the other Party's consent in writing.

12.2 This Agreement is made in Chinese and English in four (4) copies, with each Party A and Party B holding two (2) copies, each copy shall have equal legal validity.

12.3 Headings of each Article, Section and Subsection herein are inserted for ease of reference only and may not have any effect on the meaning or interpretation of this Agreement.

12.4 Failure on the part of either Party hereto to exercise any of its rights hereunder, to request the performance by the other Party of any of its obligations hereunder, or to enforce one or more provisions hereof, shall not be deemed a waiver of such rights by such Party, nor shall it affect the validity of this Agreement in any manner, and nor shall it prevent such Party from exercising at any time any other right or rights which such Party enjoys.

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12.5 If any provision hereof is held invalid or unenforceable by any agency having jurisdiction at any time, the validity and enforceability of such provision under other circumstances and the validity and enforceability of the remaining provisions of this Agreement shall not be adversely affected thereby.

12.6 Unless otherwise agreed to by the Parties herein, all expenses and fees (including legal expenses) in connection with this Agreement and the performance hereof shall be borne by the Party incurring such expenses and fees.

12.7 Matters not dealt with herein shall be settled by the Parties through friendly negotiations. Amendment or addition to this Agreement and the exhibits hereto, if necessary, shall be made in writing. In case of any conflict between any amendment or supplemental agreement and this Agreement, the amendment or supplemental agreement shall govern.

12.8 This Agreement shall continue to be effective until all obligations are performed and all payments and claims are settled by the Parties.

12.9 This Agreement shall become effective on the date on which it is signed and chopped with the corporate seal of each Party by the legal representative or authorized representative of each Party, or on the date of the later signatory in case the signing of this Agreement by the Parties

does not fall on an even date. The Parties may negotiate the extension of this Agreement prior to its expiration.

[Remainder of the page left blank intentionally]

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[signature page]

Party A: China Mobile Communications Corporation (seal)

Legal Representative/Authorized Representative (signature):

/s/ Chengyang Zhou

Chengyang Zhou

Date: February 14, 2011

Party B: Beijing Tianying Jiuzhou Network Technology Co., Ltd. (seal)

Legal Representative/Authorized Representative (signature):

/s/ Haiyan Qiao

Haiyan Qiao

Date: February 14, 2011

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**List of Subsidiaries of the Registrant**

Phoenix Satellite Television Information Limited  
Phoenix New Media (Hong Kong) Company Limited  
Fenghuang On-line (Beijing) Information Technology Co., Ltd.  
PHOENIXi Investment Limited\*  
PHOENIXi Inc. \*  
Guofeng On-line (Beijing) Information Technology Co., Ltd.\*

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\*In the process of liquidation since 2006

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form F-1 of Phoenix New Media Limited of our report dated March 14, 2011, except for Note 22, which is as of April 21, 2011, relating to the consolidated financial statements of Phoenix New Media Limited, which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company

PricewaterhouseCoopers Zhong Tian CPAs Limited Company  
Beijing, the People's Republic of China  
April 21, 2011

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21 April 2011

Phoenix New Media Limited  
 16/F, Fusheng Building, Tower 2  
 No. 4, Hui Xin Dong Jie  
 Caoyang District  
 Beijing 100029  
 People's Republic of China

Dear Sirs/Madams,

**INITIAL PUBLIC OFFERING**

We hereby give our consent to the references to our name, methodologies, assumptions and value conclusions with respect to our reports on valuation of business enterprises, Series A convertible redeemable preferred shares and share-based awards in Phoenix New Media Limited's Registration Statement on Form F-1, as may be amended from time to time, to be filed with the U.S. Securities and Exchange Commission.

Yours Faithfully,  
 For and on behalf of  
**GRANT SHERMAN APPRAISAL LIMITED**

/s/ Kelvin C.H. Chan  
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 Kelvin C.H. Chan, FCCA, CFA  
 Director

**中 證**  
 Room 1701, 17/F, Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong  
 18 17 1701  
 Tel (852) 2877 8330 Fax (852) 2877 6718  
 Email info@grantsherman.com www.grantsherman.com



April 15, 2011

To: Phoenix New Media Limited

Fusheng Building Tower 2, 16<sup>th</sup> Floor  
 4 Hui Xin Dong Jie, Chaoyang District  
 Beijing 100029  
 People's Republic of China

Re: Phoenix New Media Limited

Consent to references to Shanghai iResearch Co., Ltd. and its reports

Madam/Sirs:

In connection with your proposed initial public offering in the United States (the "Proposed IPO"), we hereby consent to references to our name and to the our reports included in Appendix, and the data contained therein in your Registration Statement on Form F-1 and any other documents in connection with the Proposed IPO .

Yours faithfully,

For and on behalf of Shanghai iResearch Co., Ltd.

Signature of Representative: /s/ Lei Zou

Department and Title: Co-President

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### Appendix

1. <<iResearch-iFeng media value and brand research report>>
2. <<iResearch-iFeng media value and brand research report-Blog Channel>>
3. <<iResearch-iFeng media value and brand research report- BBS Channel>>
4. <<iResearch-iFeng media value and brand research report-Realstate Channel>>
5. <<iResearch-iFeng media value and brand research report-Commonweal Channel>>
6. <<iResearch-iFeng media value and brand research report- Fashion Channel>>
7. <<iResearch-iFeng media value and brand research report-Home Channel>>
8. <<iResearch-iFeng media value and brand research report-News Channel>>
9. <<iResearch-iFeng media value and brand research report- Finance Channel>>
10. <<iResearch-iFeng media value and brand research report- Auto Channel>>
11. <<iResearch-iFeng media value and brand research report- Video Channel>>
12. <<iResearch-2010 iFeng media value and brand research report>>
13. iFeng media value and brand survey data
14. <<iResearch-2010 iFeng media value and brand research report— Auto Channel>>
15. <<iResearch-2010 iFeng media value and brand research report— Finance Channel>>
16. <<iResearch-2010 iFeng media value and brand research report-Technology Channel>>
17. <<iResearch-2010 iFeng media value and brand research report- Realstate Channel>>
18. <<iResearch-2010 iFeng media value and brand research report- Fashion channel>>
19. <<iResearch-2010 iFeng media value and brand research report-History Channel>>
20. <<iResearch-2010 iFeng media value and brand research report- BBS Channel>>
21. <<iResearch-2010 iFeng female users value research report - BBS channel>>
22. <<iResearch-2010 iFeng & Competitors media value contrast research report>>
23. 2010 iFeng.com media value and brand survey data
24. iResearch data systems of iAdTracker and iUserTracker
25. <<iResearch-2009-2010 China Online Video Market Development Report>>
26. <<iResearch-2009-2010 China Mobile Internet Market Development Report>>
27. <<iResearch-2009-2010 China Online Advertising Market Research Report>>
28. <<iResearch-2009 China Mobile Internet User Research Report>>
29. <<iResearch-2009-2010 China Online Video Market Development Report>>

To: Board of Directors  
Phoenix New Media Limited (the "Company")

Dated this 12<sup>th</sup> day of April 2011

Dear Sirs,

As we have discussed, I have agreed to serve as a member of the Board of Directors and of the Auditor Committee and Nomination and Corporate Governance Committee (together, the "Committees") of the Company. I understand that the Company's Board of Directors and shareholders plan to approve my nomination as a member of the Board of Directors and the Committees and that I will become such a member upon the declaration of effectiveness of the Company's registration statement on Form F-1 by the United States Securities and Exchange Commission.

As such, I hereby consent to being named as a future Board member of the Company in the Company's Form F-1 registration statement to be filed in connection with the Company's IPO.

Yours faithfully,

/s/ Carson Wen  
Name: Carson Wen

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To: Board of Directors  
Phoenix New Media Limited (the "Company")

Dated this 12<sup>th</sup> day of April 2011

Dear Sirs,

As we have discussed, I have agreed to serve as a member of the Board of Directors of the Company. I understand that the Company's Board of Directors and shareholders plan to approve my nomination as a member of the Board of Directors and that I will become such a member upon the declaration of effectiveness of the Company's registration statement on Form F-1 by the United States Securities and Exchange Commission.

As such, I hereby consent to being named as a future Board member of the Company in the Company's Form F-1 registration statement to be filed in connection with the Company's IPO.

Yours faithfully,

/s/ Ka Keung Yeung  
Name: Ka Keung Yeung

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To: Board of Directors  
Phoenix New Media Limited (the "Company")

Dated this 12<sup>th</sup> day of April 2011

Dear Sirs,

As we have discussed, I have agreed to serve as a member of the Board of Directors and of the Auditor Committee and Compensation Committee (together, the "Committees") of the Company. I understand that the Company's Board of Directors and shareholders plan to approve my nomination as a member of the Board of Directors and the Committees and that I will become such a member upon the declaration of effectiveness of the Company's registration statement on Form F-1 by the United States Securities and Exchange Commission.

As such, I hereby consent to being named as a future Board member of the Company in the Company's Form F-1 registration statement to be filed in connection with the Company's IPO.

Yours faithfully,

/s/ Jerry J. Zhang  
Name: Jerry J. Zhang

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**CODE OF BUSINESS CONDUCT AND ETHICS  
OF PHOENIX NEW MEDIA LIMITED**

**I. Purpose**

Phoenix New Media Limited and its subsidiaries (the “Company”) is committed to conduct its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics. This Code of Business Conduct and Ethics (the “Code”) contains general guidelines for conducting the business of the Company. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we adhere to these higher standards.

This Code is designed to deter wrongdoing and to promote:

- (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (ii) full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company will file with, or submit to, the U.S. Securities and Exchange Commission (the “SEC”) and in other public communications made by the Company;
- (iii) compliance with applicable governmental laws, rules and regulations;
- (iv) prompt internal reporting of violations of the Code; and
- (v) accountability for adherence to the Code.

**II. Applicability**

This Code applies to all of the directors, officers, employees and advisors of the Company, whether they work for the Company on a full-time, part-time, consultative, or temporary basis (each an “employee” and collectively, the “employees”).

The Board of Directors of the Company (the “Board”) has appointed or will appoint a compliance officer for the Company (the “Compliance Officer”). If you have any questions regarding the Code or would like to report any violation of the Code, please call or email the Compliance Officer. Any questions or violations of the Code involving an executive officer, which include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and heads of various departments and any other persons who perform similar functions for the Company (each an “executive officer”), shall be directed or reported to any of our independent director on the Board or the members of the appropriate committee of the Board, and any such questions or violations will be reviewed directly by the Board or the appropriate committee of the Board.

This Code was adopted by the Board on [ ], 2011 and will become effective concurrently with the Company’s first public filing of a registration statement on Form F-1 with the SEC

relating to the Company’s initial public offering of its Class A ordinary shares in the form of American Depositary Shares in the United States (the “IPO”).

**III. Conflicts of Interest**

**A. Identifying Conflicts of Interest**

A conflict of interest occurs when an employee’s private interest interferes, or appears to interfere, in any way with the interests of the Company as a whole. You should actively avoid any private interest that may influence your ability to act in the interests of the Company or that may make it difficult to perform your work objectively and effectively. In general, the following should be considered conflicts of interest:

1. Competing Business. No employee may be concurrently employed by a business that competes with the Company or deprives it of any business.
2. Corporate Opportunity. No employee should use corporate property, information or his or her position with the Company to secure a business opportunity that would otherwise be available to the Company. If you discover a business opportunity that is in the Company’s line of business, through the use of the Company’s property, information or position, you must first present the business opportunity to the Company before pursuing the opportunity in your individual capacity.
3. Financial Interests.
  - (i) No employee may have any financial interest (ownership or otherwise), either directly or indirectly through a spouse or other family member, in any other business entity if such financial interest adversely affects the employee’s performance of duties or responsibilities to the Company, or requires the employee to devote certain time during such employee’s working hours at the Company;
  - (ii) no employee may hold any ownership interest in a privately-held company that is in competition with the Company;
  - (iii) an employee may hold up to but no more than 1.0% ownership interest in a publicly traded company that is in competition with the Company; and
  - (iv) no employee may hold any ownership interest in a company that has a material business relationship with the Company.

If an employee's ownership interest in a business entity described in clause (iii) above increases to more than 1.0%, the employee must immediately report such ownership to the Compliance Officer.

4. **Loans or Other Financial Transactions.** No employee may obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, any company that is a material customer, supplier or competitor of the Company. This

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guideline does not prohibit arms-length transactions with recognized banks or other financial institutions.

5. **Service on Boards and Committees.** No employee should serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests reasonably could be expected to conflict with those of the Company. Employees must obtain prior approval from the Board before accepting any such board or committee position. The Company may revisit its approval of any such position at any time to determine whether service in such position is still appropriate.

It is difficult to list all of the ways in which a conflict of interest may arise, and we have provided only a few, limited examples. If you are faced with a difficult business decision that is not addressed above, ask yourself the following questions:

- Is it legal?
- Is it honest and fair?
- Is it in the best interests of the Company?

**B. Disclosure of Conflicts of Interest**

The Company requires that employees fully disclose any situations that reasonably could be expected to give rise to a conflict of interest. If you suspect that you have a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it immediately to the Compliance Officer. Conflicts of interest may only be waived by the Board, or the appropriate committee of the Board, and will be promptly disclosed to the public to the extent required by law.

**C. Family Members and Work**

The actions of family members outside the workplace may also give rise to conflicts of interest because they may influence an employee's objectivity in making decisions on behalf of the Company. If a member of an employee's family is interested in doing business with the Company, the criteria as to whether to enter into or continue the business relationship, and the terms and conditions of the relationship, must be no less favorable to the Company compared with those that would apply to a non-relative seeking to do business with the Company under similar circumstances.

Employees should report any situation involving family members that could reasonably be expected to give rise to a conflict of interest to their supervisor or the Compliance Officer. For purposes of this Code, "family members" or "members of your family" include your spouse, brothers, sisters and parents, in-laws and children.

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**IV. Gifts and Entertainment**

**A. Generally**

The giving and receiving of gifts is common business practice. Appropriate business gifts and entertainment are welcome courtesies designed to build relationships and understanding among business partners. However, gifts and entertainment should never compromise, or appear to compromise, your ability to make objective and fair business decisions.

It is the responsibility of employees to use good judgment in this area. As a general rule, employees may give or receive gifts or entertainment to or from customers or suppliers only if the gift or entertainment could not be viewed as an inducement to any particular business decision. All gifts and entertainment expenses made on behalf of the Company must be properly accounted for on expense reports, and all gift and entertainment expenses exceeding RMB1,000 made on behalf of the Company must be approved by the head of the relevant department of the Company.

Employees may only accept appropriate gifts. We encourage employees to submit gifts received to the Company. While it is not mandatory to submit small gifts, gifts of over RMB200 must be submitted immediately to the administration department of the Company.

The Company's business conduct is founded on the principle of "fair transaction." Therefore, no employee may give or receive kickbacks, bribe others, or secretly give or receive commissions or any other personal benefits.

**B. United States Foreign Corrupt Practices Act Compliance**

The United States Foreign Corrupt Practices Act ("FCPA") prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. A violation of FCPA not only violates the Company's policy but is also a civil or criminal offense under FCPA which the Company is subject to after the Code becomes effective. No employee shall give or authorize directly or indirectly any illegal payments to government officials of any country. While the FCPA does, in certain limited circumstances, allow nominal "facilitating payments" to be made, any such payment must be discussed with and approved by your supervisor in advance before it can be made.

**C. Political Contributions**

Except as approved in advance by the Chief Executive Officer or Chief Financial Officer of the Company, the Company prohibits political contributions (directly or through trade associations) by any employee on behalf of the Company. Prohibited political contribution activities include:

- (i) any contributions of Company funds or other assets for political purposes;
- (ii) encouraging individual employees to make any such contribution; and
- (iii) reimbursing an employee for any political contribution.

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## **V. Fair Dealing**

The Company strives to compete and to succeed through superior performance and products and without the use of unethical or illegal practices. Accordingly, the Company's employees should respect the rights of, and should deal fairly with, the Company's customers, suppliers, competitors and employees and should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information or any material misrepresentation. For example, an individual should not:

- (i) give or receive kickbacks, bribe others, or secretly give or receive commissions or any other personal benefits;
- (ii) spread rumors about competitors, customers or suppliers that the individual knows to be false;
- (iii) intentionally misrepresent the nature or quality of the Company's products; or
- (iv) otherwise seek to advance the Company's interests by taking unfair advantage of anyone through unfair dealing practices, including engaging in unfair practices through a third party.

## **VI. Protection and Use of Company Assets**

Employees should protect the Company's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on the Company's profitability. The use of the funds or assets of the Company, whether for personal gain or not, for any unlawful or improper purpose is strictly prohibited.

To ensure the protection and proper use of the Company's assets, each employee should:

- (i) exercise reasonable care to prevent theft, damage or misuse of Company property;
- (ii) promptly report the actual or suspected theft, damage or misuse of Company property;
- (iii) safeguard all electronic programs, data, communications and written materials from inadvertent access by others; and
- (iv) use Company property only for legitimate business purposes.

## **VII. Intellectual Property and Confidentiality**

1. All inventions, creative works, computer software, and technical or trade secrets developed by an employee in the course of performing the employee's duties or primarily through the use of the Company's materials and technical resources while working at the Company, shall be the property of the Company.

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2. The Company maintains a strict confidentiality policy. During an employee's term of employment, the employee shall comply with any and all written or unwritten rules and policies concerning confidentiality and shall fulfill the duties and responsibilities concerning confidentiality applicable to the employee.

3. In addition to fulfilling the responsibilities associated with his position in the Company, an employee shall not, without first obtaining approval from the Company, disclose, announce or publish trade secrets or other confidential business information of the Company, nor shall an employee use such confidential information outside the course of his duties to the Company.

4. Even outside the work environment, an employee must maintain vigilance and refrain from disclosing important information regarding the Company or its business, customers or employees.

5. An employee's duty of confidentiality with respect to the confidential information of the Company survives the termination of such employee's employment with the Company for any reason until such time as the Company discloses such information publicly or the information otherwise becomes available in the public sphere through no fault of the employee.

6. Upon termination of employment, or at such time as the Company requests, an employee must return to the Company all of its property without exception, including all forms of medium containing confidential information, and may not retain duplicate materials.

## **VIII. Accuracy of Financial Reports and Other Public Communications**

Upon the completion of the IPO, the Company will be a public company which is required to report its financial results and other material information about its business to the public and the SEC. It is the Company's policy to promptly disclose accurate and complete information regarding its business, financial condition and results of operations. Employees must strictly comply with all applicable standards, laws, regulations and policies for accounting and financial reporting of transactions, estimates and forecasts. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and result in legal liability.

Employees should be on guard for, and promptly report, any possibility of inaccurate or incomplete financial reporting. Particular attention should be paid to:

- (v) financial results that seem inconsistent with the performance of the underlying business;
- (vi) transactions that do not seem to have an obvious business purpose; and
- (vii) requests to circumvent ordinary review and approval procedures.

The Company's senior financial officers and other employees working in the finance and accounting department have a special responsibility to ensure that all of the Company's financial

disclosures are full, fair, accurate, timely and understandable. Any practice or situation that might undermine this objective should be reported to the Compliance Officer.

Employees are prohibited from directly or indirectly taking any action to coerce, manipulate, mislead or fraudulently influence the Company's independent auditors for the purpose of rendering the financial statements of the Company materially misleading. Prohibited actions include but are not limited to those actions taken to coerce, manipulate, mislead or fraudulently influence an auditor:

- (i) to issue or reissue a report on the Company's financial statements that is not warranted in the circumstances (due to material violations of U.S. GAAP, generally accepted auditing standards or other professional or regulatory standards);
- (ii) not to perform audit, review or other procedures required by generally accepted auditing standards or other professional standards;
- (iii) not to withdraw an issued report; or
- (iv) not to communicate matters to the Company's audit committee of the Board.

Employees with information relating to questionable accounting or auditing matters may also confidentially, and anonymously if they desire, submit the information in writing to the Company's audit committee of the Board.

## **IX. Company Records**

Accurate and reliable records are crucial to the Company's business and form the basis of its earnings statements, financial reports and other disclosures to the public. The Company's records are the source of essential data that guides business decision-making and strategic planning. Company records include, but are not limited to, booking information, payroll, timecards, travel and expense reports, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business.

All Company records must be complete, accurate and reliable in all material respects. There is never an acceptable reason to make false or misleading entries. Undisclosed or unrecorded funds, payments or receipts are strictly prohibited. You are responsible for understanding and complying with the Company's record keeping policy. Contact the Compliance Officer if you have any questions regarding the record keeping policy.

## **X. Compliance with Laws and Regulations; Insider Trading**

Each employee has an obligation to comply with the laws of the cities, provinces, regions and countries in which the Company operates. This includes, without limitation, laws covering commercial bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, offering or receiving gratuities, employment harassment, environmental protection, occupational health and safety, false or misleading financial information, misuse of corporate assets or foreign currency exchange activities. Employees are expected to understand

and comply with all laws, rules and regulations that apply to your position at the Company. If any doubt exists about whether a course of action is lawful, you should seek advice immediately from the Compliance Officer.

Employees are prohibited from trading securities while in possession of material nonpublic information, whether of the Company or other companies, and must comply with insider trading and any applicable securities law and the Company's Statement of Policies Governing Material, Non-Public Information and the Prevention of Insider Trading, attached hereto as Exhibit A, regarding securities transactions and handling of confidential information. Insider trading is both unethical and illegal and will be firmly dealt with by the Company. Prohibition on insider trading applies to members of the employees' family and anyone else sharing the home of the employees. Therefore, employees must use discretion when discussing work with friends or family members, as well as with other employees.

## **XI. Workplace Environment**

### **A. Discrimination and Harassment**

The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment based on race, ethnicity, religion, gender, age, national origin or any other protected class. For further information, you should consult the Compliance Officer.

**B. Health and Safety**

The Company strives to provide employees with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for other employees by following environmental, safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence and threatening behavior are not permitted.

Each employee is expected to perform his or her duty to the Company in a safe manner, free of the influences of alcohol, illegal drugs or other controlled substances. The use of illegal drugs or other controlled substances in the workplace is prohibited.

**XII. Violations of the Code; Protection Against Retaliation**

All employees have a duty to report any known or suspected violation of this Code, including any violation of laws, rules, regulations or policies that apply to the Company. Reporting a known or suspected violation of this Code by others will not be considered an act of disloyalty, but an action to safeguard the reputation and integrity of the Company and its employees.

If you know of or suspect a violation of this Code, it is your responsibility to immediately report the violation to the Compliance Officer, who will work with you to investigate your concern. Any suspected violation of this Code involving an executive officer shall be directed or reported to any of our independent directors on the Board or to the appropriate committee of the Board. All questions and reports of known or suspected violations of this Code will be treated

with sensitivity and discretion. The Compliance Officer, the Board or the appropriate committee of the Board and the Company will protect your confidentiality to the extent possible, consistent with the law and the Company's need to investigate your concern.

It is the Company's policy that any employee who violates this Code will be subject to appropriate discipline, including termination of employment, based upon the facts and circumstances of each particular situation. Your conduct as an employee of the Company, if it does not comply with the law or with this Code, can result in serious consequences for both you and the Company.

The Company strictly prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. An employee inflicting reprisal or retaliation against another employee for reporting a known or suspected violation will be subject to disciplinary action up to and including termination of employment.

**XIII. Waivers of the Code**

Waivers of this Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code may be made only by the Board, or the appropriate committee of the Board, and will be promptly disclosed to the public.

**XIV. Conclusion**

This Code contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. If you have any questions about these guidelines, please contact the Compliance Officer. We expect all employees to adhere to these standards. Each employee is separately responsible for his or her actions. Conduct that violates the law or this Code cannot be justified by claiming that it was ordered by a supervisor or someone in higher management. If you engage in conduct prohibited by the law or this Code, you will be deemed to have acted outside the scope of your employment. Such conduct will subject you to disciplinary action, including termination of employment.



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## LEGAL OPINION

**To: PHOENIX NEW MEDIA LIMITED**  
 16/F, Fusheng Building Tower 2  
 No. 4 Hui Xin Dong Jie, Chaoyang District  
 Beijing 100029  
 People's Republic of China

April 21, 2011

Dear Sir/Madam:

- We are lawyers qualified in the People's Republic of China (the "PRC") and are qualified to issue opinions on the PRC Laws (as defined in Section 4). For the purpose of this legal opinion (this "Opinion"), the PRC does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.
- We act as PRC counsel to Phoenix New Media Limited (the "Company"), a company incorporated under the laws of Cayman Islands, in connection with (a) the proposed initial public offering (the "Offering") by the Company of American Depositary Shares ("ADSs"), representing Class A ordinary shares of par value US\$0.01 per share of the Company ("Ordinary Shares") (together with the ADSs, the "Offered Securities"), in accordance with the Company's registration statement on Form F-1, including all amendments or supplements thereto (the "Registration Statement"), filed by the Company with the Securities and Exchange Commission (the "SEC") under the U.S. Securities Act of 1933 (as amended), and (b) the Company's proposed listing of the ADSs on the New York Stock Exchange.
- In so acting, we have examined the Registration Statement, the originals or copies certified or otherwise identified to our satisfaction, of documents provided to us by the Company and such other documents, corporate records, certificates, approvals and other instruments as we have deemed necessary for the purpose of rendering this opinion, including, without limitation, originals or copies of the agreements and certificates issued by PRC authorities and officers of the Company ("Documents"). In such examination, we have assumed the accuracy of the factual matters described in the Registration Statement and that the Registration Statement and other documents will be executed by the parties in the forms provided to and reviewed by us. We have also assumed the

□□ Beijing □□ Shanghai □□ Shenzhen □□ Guangzhou □□ Tokyo □□ Wuhan □□ Hong Kong □□ Chengdu

genuineness of all signatures, seals and chops, the authenticity of all documents submitted to us as originals, and the conformity with the originals of all documents submitted to us as copies, and the truthfulness, accuracy and completeness of all factual statements in the documents.

- The following terms as used in this Opinion are defined as follows:

"Fenghuang On-line"	means Fenghuang On-line (Beijing) Information Technology Co., Ltd.
"M&A Rules"	means the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors jointly promulgated by the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration of Industry and Commerce, China Securities Regulatory Commission (" <u>CSRC</u> ") and the State Administration of Foreign Exchange of the PRC on September 8, 2006 and amended on June 22, 2009.
"PRC Group Companies"	means Fenghuang On-line, Tianying Jiuzhou, Tianying Jiuzhou's subsidiary and Yifeng Lianhe, collectively. "PRC Group Company" shall be construed accordingly.
"PRC Laws"	means all applicable laws, regulations, statutes, rules, notices, and supreme court's judicial interpretations currently in force and available to the public as of the date of this Opinion in the PRC.
"Prospectus"	means the prospectus that forms part of the Registration Statement.
"SAFE Rules"	means the Circular on Issues relating to the Administration of Foreign Exchange in Fund-Raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies issued by the State Administration of Foreign Exchange of the PRC on October 21, 2005 and its implementing rules.
"Tianying Jiuzhou"	means Beijing Tianying Jiuzhou Network Technology Co., Ltd.



“TJ VIE Agreements”	means the agreements described in the “Our History and Corporate Structure” section of the Prospectus, as listed in <u>Schedule I</u> hereto.
“Yifeng Lianhe”	means Yifeng Lianhe (Beijing) Technology Co., Ltd.

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“YL VIE Agreements”	means the agreements described in the “Our History and Corporate Structure” section of the Prospectus, as listed in <u>Schedule II</u> hereto.
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Capitalized terms used herein and not otherwise defined herein shall have the same meanings described in the Registration Statement.

5. Based upon and subject to the foregoing, we are of the opinion that:

- (1) *Corporate Structure.* The descriptions of the corporate structure of the PRC Group Companies set forth in “Our History and Corporate Structure” section of the Prospectus are true and accurate and nothing has been omitted from such description which would make the same misleading in any material respects.

We have advised the Company that the structure for operating its business in China (including its corporate structure and its contractual arrangements with its affiliated consolidated entities) complies, and after the completion of this offering will continue to comply, with all applicable PRC laws, rules and regulations, and does not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations.

We have advised the Company further that if a PRC government authority determines that its corporate structure, the contractual arrangements or the reorganization to establish its current corporate structure violates any applicable PRC laws, rules or regulations, the contractual arrangements will become invalid or unenforceable, and the Company could be subject to severe penalties and required to obtain additional governmental approvals from the PRC regulatory authorities.

- (2) *M&A Rules.* We have advised the Company as to the content of the M&A Rules, in particular the relevant provisions thereof that purport to require offshore special purpose vehicles formed for the purpose of obtaining a stock exchange listing outside of PRC and controlled directly or indirectly by Chinese companies or natural persons, to obtain the approval of the Ministry of Commerce of the PRC for any merger or acquisition of interests in its related entities in PRC as well as the approval of the CSRC prior to the listing and trading of their securities on stock exchange located outside of PRC.

We have advised the Company that CSRC approval is not required in the context of this offering because (i) the CSRC approval requirement applies to SPVs that acquired equity interests in PRC companies through share exchanges and seek overseas listing; (ii) Fenghuang On-line was incorporated indirectly by Phoenix TV, a Hong Kong-listed company,

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rather than a SPV as defined under the 2006 M&A Rules; (iii) Fenghuang On-line was incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by the Company of the equity interest or assets of any “domestic company” as defined under the 2006 M&A Rules; and (iv) no provision in the 2006 M&A Rules classifies the contractual arrangements between Fenghuang On-line and each of Tianying Jiuzhou and Yifeng Lianhe as a type of acquisition transaction falling under the 2006 M&A Rules.

The statements set forth in the Prospectus under the captions “Risk Factors — Risks Related to Doing Business in China — The approval of the China Securities Regulatory Commission, or the CSRC, may be required in connection with this offering. Any requirement to obtain prior CSRC approval could delay, or create uncertainties regarding, this offering, and our failure to obtain this approval, if required, could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs” when taken together with the statements under “Regulation—Regulation on Overseas Listings,” are fair and accurate summaries of the matters described therein, and nothing has been omitted from such summaries that would make the same misleading in any material respect.

We have advised the Company further that the approval from the Ministry of Commerce is not required for the contractual arrangements between Fenghuang On-line and each of Tianying Jiuzhou and Yifeng Lianhe because (i) Fenghuang On-line was incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by the Company of the equity interest or assets of any “domestic company” as defined under the 2006 M&A Rules, and (ii) no provision in the 2006 M&A Rules classifies the contractual arrangements between Fenghuang Online and each of Tianying Jiuzhou and Yifeng Lianhe as a type of acquisition transaction falling under the 2006 M&A Rules.

- (3) *SAFE Rules Compliance.* We have advised the Company that the registration requirement under SAFE rules do not apply to Fenghuang On-line or the PRC resident beneficial owners of the Company due to the following reasons: (i) the Company was incorporated and controlled by Phoenix TV, a Hong Kong listed company, rather than any PRC residents defined under SAFE rules; (ii) none of the former or current shareholders of Tianying Jiuzhou or Yifeng Lianhe established or acquired interest in the Company by injecting the assets of, or equity interest in, Tianying Jiuzhou or Yifeng Lianhe; and (iii) all of the PRC resident beneficial

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owners obtained interest in the Company through exercise of options granted to them under the employee share option plan.

(4) *Enforceability of Civil Procedures.* We have advised the Company that there is uncertainty as to whether the courts of the PRC would:

- recognize or enforce judgments of United States courts obtained against the Company or directors or officers of the Company predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against the Company or directors or officers of the Company predicated upon the securities laws of the United States or any state in the United States.

We have advised the Company further that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country or region where the judgment is made or on principle of reciprocity between jurisdictions, provided that the foreign judgments do not violate the basic principles of laws of the PRC or its sovereignty, security, or social and public interest. The PRC does not have any treaties or other form of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

- (5) *Compliance.* Except as disclosed in the Registration Statement, to the best of our knowledge after due and reasonable inquires, the PRC Group Companies are currently in compliance with all applicable PRC Laws in all material respects, and the issuance, sale and delivery of the ADSs and the Shares underlying the ADSs by the Company as described in the Registration Statement will not conflict with, or result in a breach or violation of, the provisions of any applicable PRC Laws.
- (6) *Statements in the Prospectus.* The statements in the Prospectus under the headings “Prospectus Summary”, “Risk Factors”, “Our History and Corporate Structure” “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Enforceability of Civil Liabilities”, “Dividend Policy”, “Business”, “Management”, “Related Party Transactions”, “Regulation”, “Taxation” and “Legal Matters” (other

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than the financial statements and related schedules and other financial data contained therein to which we express no opinion) to the extent such statements relate to matters of the PRC Laws or documents, agreements or proceedings governed by the PRC Laws, are true and accurate in all material respects, and fairly present and fairly summarize in all material respects the PRC Laws, documents, agreements or proceedings referred to therein, and we have no reason to believe there has been anything omitted from such statements which would make the statements, in light of the circumstance under which they were made, misleading in any material aspect.

6. This opinion is subject to the following qualifications:

- (a) This Opinion relates only to the PRC Laws and we express no opinion as to any other laws and regulations. There is no guarantee that any of the PRC Laws, or the interpretation thereof or enforcement therefor, will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect.
- (b) This Opinion is intended to be used in the context which is specifically referred to herein and each section should be looked on as a whole regarding the same subject matter.
- (c) This Opinion is subject to the effects of (i) certain legal or statutory principles affecting the enforceability of contractual rights generally under the concepts of public interest, national security, good faith and fair dealing, applicable statutes of limitation, and the limitations by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditor’s rights generally; (ii) any circumstance in connection with formulation, execution or performance of any legal documents that would be deemed materially mistaken, clearly unconscionable, fraudulent; (iii) judicial discretion with respect to the availability of injunctive relief, the calculation of damages, and the entitlement of attorneys’ fees and other costs; and (iv) the discretion of any competent PRC legislative, administrative or judicial bodies in exercising their authority in connection with the interpretation, implementation and application of relevant PRC Laws.

This Opinion is rendered to you for the purpose hereof only, and save as provided herein, this Opinion shall not be quoted nor shall a copy be given to any person (apart from the addressee) without our express prior written consent except where such disclosure is required to be made by the applicable law or is requested by SEC or any other regulatory agencies.

We hereby consent to the use of this opinion in, and the filing hereof as an exhibit to, the Registration Statement. In giving such consent, we do not thereby admit that we

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fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulations promulgated thereunder.

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[Signature Page]

Yours faithfully,

**SCHEDULE I**

**TJ VIE AGREEMENTS**

1. Shareholders' Voting Right Entrustment Agreement between Fenghuang On-line, Tianying Jiuzhou and the shareholders of Tianying Jiuzhou dated December 31, 2009.
2. Exclusive Technical Licensing and Services Agreement between Fenghuang On-line and Tianying Jiuzhou dated December 31, 2009.
3. Equity Pledge Agreement between Fenghuang On-line and the shareholders of Tianying Jiuzhou dated December 31, 2009.
4. Exclusive Equity Option Agreement between Fenghuang On-line, Tianying Jiuzhou and the shareholders of Tianying Jiuzhou dated December 31, 2009.
5. Loan Agreement between Fenghuang On-line and the shareholders of Tianying Jiuzhou dated December 31, 2009.

**SCHEDULE II**

**YL VIE AGREEMENTS**

1. Shareholders' Voting Right Entrustment between Fenghuang On-line, Yifeng Lianhe and the shareholders of Yifeng Lianhe dated December 31, 2009.
2. Exclusive Technical Licensing and Services Agreement between Fenghuang On-line and Yifeng Lianhe dated December 31, 2009.
3. Equity Pledge Agreement between Fenghuang On-line and the shareholders of Yifeng Lianhe dated December 31, 2009.
4. Exclusive Equity Option Agreement between Fenghuang On-line, Yifeng Lianhe and the shareholders of Yifeng Lianhe dated December 31, 2009.
5. Loan Agreement between Fenghuang On-line and the shareholders of Yifeng Lianhe dated December 31, 2009.